Anchorage Housing Market Analysis

McDowell GROUP

ECONorthwest
ECONOMICS • FINANCE • PLANNING

For:

Municipality of Anchorage
Planning Division

March 2012

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Prepared for:
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Prepared by:

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Juneau • Anchorage

with

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Executive Summary

The Municipality of Anchorage (MOA) contracted with McDowell Group and ECONorthwest to conduct a technical analysis of housing demand and preferences in the Anchorage Bowl and Chugiak-Eagle River. The purpose of the study was to evaluate overall housing demand over the 2010 to 2030 period and evaluate the financial feasibility of compact housing types. The study was designed to answer questions such as:

- *What is future housing demand and which mix of housing options is preferred?*
- *Is there enough available land to construct new housing to meet this future demand?*
- *What role does compact housing development play in meeting this expected growth?*
- *Are there policy, financial, market, or physical barriers that need to be addressed to accommodate expected demand for housing and make development of new compact housing financially feasible, given the cost of building new compact housing and achievable rents in Anchorage?*
- *If no action is taken to accommodate housing demand, what may happen to Anchorage's housing market and rate of population growth?*

The study's key finding is that there is not enough buildable land to accommodate future housing demand under historical development patterns, current land-use policies and development options. Building mid-rise residential and mid-rise mixed-use rental developments is not financially feasible in current market conditions. Without changes in the existing construction environment, Anchorage will not be able to accommodate the forecast for population growth, which could have adverse effects on the area's growth and economic health.

The mismatch between future housing demand and land supply is serious and needs attention. If not properly addressed, the housing gap could affect population growth in Anchorage as well as decrease affordability for both renters and homeowners. Both impacts would affect the health of the local economy. Policies that can help Anchorage accommodate expected growth are those that will increase land use efficiency; increase residential densities; increase the buildable land supply, especially through redevelopment; and ensure housing affordability.

Demand Analysis Results

- Demand for approximately 18,200 new dwellings in the Anchorage Bowl and 3,300 new dwellings in Chugiak-Eagle River over the next 20 years is expected.[1]

[1] Based on the Institute of Social and Economic Research at the University of Alaska Anchorage forecast for population growth (December 2009) for the entire Municipality of Anchorage and Municipal staff's analysis for how this breaks out by Municipal sub-areas.

- The demand for attached and compact housing types will increase over time; attached housing is projected to make up 65 percent of housing demand preference in the Anchorage Bowl by 2030 (up from 58 percent currently). An aging population, decreases in housing affordability, and changes in lifestyle will drive this shift in housing preference toward attached housing, particularly in the Anchorage Bowl.

- A survey of over 800 households in the Anchorage Bowl and Chugiak-Eagle River found that 18 percent of respondents were "highly likely" candidates to choose compact housing based on their stated housing preference.

Land Supply and Housing Capacity

- As of 2010, there were 5,800 acres of buildable residential land in the Anchorage Bowl, including 5,200 acres of vacant (undeveloped) land and 600 acres of partially vacant land that has space to be further subdivided or developed.

- The inventory shows a 30 to 40 percent decline in the amount of buildable residential land in the Anchorage Bowl since 1998.

- Without increasing the current level of housing density and increasing the rate of redevelopment, the Anchorage Bowl will lack land for about 8,900 of the projected new housing units, or about half of expected demand.

Projected Residential Land Sufficiency, Anchorage Bowl, 2010 to 2030

Structure Type	Land Capacity	Projected Housing Demand	Sufficiency (capacity minus demand)
Large Lot Single Family	2,030	362	1,668
Single Family	3,614	6,003	(2,389)
Two Family / Duplex	1,272	3,455	(2,183)
Townhouse	768	1,455	(687)
Multifamily / Other	3,315	6,909	(3,594)
Total	**11,000**	**18,184**	
Total "surplus units"	--	--	**1,668**
Total "deficit units"	--	--	**(8,852)**

Source: ECONorthwest

- Chugiak-Eagle River has enough land to meet its own projected demand for all housing types. The surplus land capacity in Chugiak-Eagle River could accommodate some of the Bowl's single-family detached housing demand; however, it is not the ideal location to address the Bowl's need for dense urban multifamily development and cannot accommodate all of the projected demand.

Projected Residential Land Sufficiency, Chugiak-Eagle River, 2010 to 2030

Structure Type	Land Capacity	Projected Housing Demand	Sufficiency (capacity minus demand)
Large Lot Single Family	1,700	665	1,035
Single Family	2,587	1,663	924
Two Family / Duplex	914	499	415
Townhouse	707	132	575
Multifamily / Other	629	365	264
Total "surplus units"	**6,537**	**3,324**	**3,213**

Source: ECONorthwest.

Financial Feasibility of Compact Housing

- Pro forma financial feasibility analysis for four housing prototypes, including 1) small-lot single-family detached units, 2) infill townhomes, 3) mid-rise residential development, and 4), mid-rise mixed-use development, concludes:
    - Of the four prototypes, small-lot single-family detached units (on a 3,000 square foot lot) are the most financially feasible compact housing and can be built profitably. However, the current minimum lots size (6,000 sq. ft.) and width (50 feet) would need to be amended.
    - The townhome prototype is close to feasible but sensitive to changes in the assumptions including increasing costs or decreases in sale price. This sensitivity explains the tendency for developers to choose a condominium approach which allows the developer to lower development costs slightly and reduce the amount of land needed.
    - Pro forma analyses of mid-rise (four-story) residential and mid-rise mixed-use rental prototypes demonstrate that these types of developments are not financially feasible. The financial gap can range from 20 to 55 percent of total development costs. Rents 25 to 60 percent higher than current norms would be required to make most of these projects financially feasible without a subsidy.
- Key factors that affect the financial feasibility of compact housing development in the Anchorage Bowl and Chugiak-Eagle River are:
    - Local costs for compact and other forms of housing are high. Anchorage construction costs are 37 percent higher than the nation's average. Contributing cost factors include: a short construction season, lack of contiguous utility, street and sidewalk grids, presence of unexpected contamination on sites, presence of peat that must be removed for structural integrity, higher transport costs for materials, smaller and less flexible labor pool resulting in higher labor costs, and less than ideal building sites, among other factors.

- Parking is expensive (but necessary) to provide. Reducing parking requirements or other creative approaches to addressing parking needs could bring housing projects closer to feasibility.

- The limited access to equity and the conservative lending environment is a barrier to developing mid-rise residential and mixed-use structures. Many banks require 30 percent of the project costs to be in the form of equity. Some equity lenders charge up to 20 percent interest. For condominium projects, lenders have high pre-sale requirements. The current conservative lending environment is not unique to Anchorage

- The Anchorage Bowl and Chugiak-Eagle River lack neighborhoods with a traditional "main street" architectural form where higher density development typically locates. Compact housing is easier to finance and sell when it is located near retail and other types of amenities (such as grocery stores, coffee shops, transit access, etc.).

- Public investment and other creative solutions will be necessary to make mid-rise multifamily and mixed-use development feasible in Anchorage in the near future.

Implications for Housing Policy in Anchorage

The key conclusions of the analysis are:

- Given the historic density of development and rate of redevelopment, the Anchorage Bowl does not have sufficient vacant buildable residential land to accommodate the demand for housing units forecasted over the next 20 years.
- Building mid-rise residential and mid-rise mixed-use rental developments is not financially feasible in the current market.

Those conclusions lead to an obvious, broad policy question: *What can the Municipality do to accommodate the expected demand for housing?* This question is not new to the Municipality—the preferred growth alternative in *Anchorage 2020* was the Urban Transition Scenario, whose policies included developing more intensive urban centers in Downtown and Midtown and encouraging infill and redevelopment where appropriate.

Housing Policy Options for Further Consideration

Assuming that *Anchorage 2020*, still represents the vision for the community, the following are the study team's suggestions for housing policies that merit further consideration by policy makers, city planners, housing advocacy groups, neighborhood community councils, developers, and financial institutions. The Municipality is already considering some of these options through the Title 21 rewrite process, the *Anchorage 2020 Comprehensive Plan*, and other initiatives.

Increase Efficient Land Use

- Update the Land-Use Map to increase land use efficiency and implement *Anchorage 2020* and the Title 21 Rewrite.
- Reduce parking requirements for multifamily housing to reduce development costs.

Increase Residential Densities

- Allow small-lot single-family housing on smaller lots (less than 6,000 square feet) and narrower lots (less than 50 feet) where appropriate and with design standards.
- Provide opportunity areas for building denser housing, such as the centers identified in *Anchorage 2020.*
- Develop funding solutions to provide infrastructure to support residential densities and more efficient use of land.
- Implement design standards to ensure development of desirable communities and protection of land values.

Increase the Supply of Buildable Land

- Phase infrastructure expansion into large land holdings in Chugiak-Eagle River.
- Conserve the residential land supply by limiting rezoning of residential land for other uses.
- Identify publicly owned lands that are suitable and make them available for residential development.

Facilitate Redevelopment

- Create and implement a redevelopment strategy to encourage infill and more compact residential development.
- Identify key redevelopment stakeholders, tools, and opportunity areas or sites to implement a redevelopment strategy.
- Target and clarify the existing tax-abatement and fee-waiver ordinance to increase effectiveness as a redevelopment tool.

Ensure Affordable Housing

- Expand affordable and workforce housing opportunities by identifying appropriate tools or financial incentives to create or rehabilitate affordable housing.

Improve the Regulatory Process

- Seek ways to further streamline development regulations and the permit process.

Next Steps

This technical report offers a detailed analysis of the housing demand challenges facing the Anchorage Bowl and Chugiak-Eagle River, and provides a basis for continued work on housing issues. The Municipality's next steps are to complete work on the Title 21 Revisions and develop a strategic plan to implement the preferred recommendations from this report. Some policy options will create more community or developer resistance, and policy makers and Municipal staff will need to prioritize housing policies to be adopted based on the outcomes they are most concerned about, as part of a strategic planning process.

Introduction

Anchorage is the largest urban area in Alaska, and is expected to grow by nearly 20 percent over the next 20 years. More people will create a need for more housing. The *Anchorage 2020: Anchorage Bowl Comprehensive Plan* (2001) concluded that the amount of land in the Anchorage Bowl needed to accommodate expected new housing construction through 2020 was greater than the amount of land available for building that housing (given the existing zoning). The conclusion of the Comprehensive Plan was that the Municipality would need to provide opportunities for developing housing at greater densities than in the past and to facilitate infill and redevelopment of underutilized land throughout the Anchorage Bowl.

The Municipality of Anchorage (MOA) contracted with McDowell Group and ECONorthwest to conduct an analysis of housing demand and preferences in the Anchorage Bowl and Chugiak-Eagle River. The purpose of this study is to evaluate overall demand for all types of housing in the Anchorage Bowl and Chugiak-Eagle River over the 2010 to 2030 period and to evaluate the financial feasibility of compact housing types. This study provides information about demand for and capacity of residential land in Anchorage to inform the Municipality's planning processes, such as the revisions to Title 21, district planning, or other work on affordable housing issues.

The result of this study is the identification and description of key housing issues related to projected growth and residential land capacity and a discussion of policy options for the Municipality to address these issues. The study concludes with the consulting team's suggestions about housing policies that merit further consideration by the Municipality, in light of municipal planning goals.

Work on the project started in December 2010 and has resulted in:

- A **summary of preliminary research**, including research on issues affecting housing demand, review of relevant data and documents on Anchorage's housing market, interviews with stakeholders, and review of "Lower 48" compact housing case studies.
- A **survey of housing preference**s among current residents within the Municipality.
- **A forecast of housing demand** in Anchorage from 2010 to 2030. Two forecasts are presented: (1) a baseline of demand for all housing based on historical trends and (2) a variation that shows potential housing demand based on forecasts of demographic changes, economic trends, and housing preferences in Anchorage.
- **Case studies** of compact housing development in Anchorage.
- An analysis of **financial feasibility** of selected types of compact housing development in Anchorage.

- An **inventory of buildable residential land** (prepared by Municipal staff), including the amount of vacant and partially vacant buildable land and the capacity of that land to accommodate new dwellings within existing zoning and public policies.
- **Implications for housing policy and policy options** for how to accommodate growth in Anchorage through higher density housing development without sacrificing the city's quality of life.

Methods

Following are key concepts about housing demand discussed throughout this report:

- **Housing demand**. The term "housing demand" is used in two ways: (1) to refer to factors that influence the amount of housing, by type, that has been or is likely to be absorbed in the Anchorage market, and (2) the historical and forecasted amount of that absorption.
- **Housing market demand versus housing need**. Housing market demand is what households demonstrate they are willing to pay for in the housing marketplace. Housing need, as used in this study, distinguishes between: (1) households that are financially able to purchase or rent housing at an affordable price consistent with their household characteristics, and (2) households that cannot find and afford such housing. This study focuses on housing market demand, rather than housing need or affordability.
- **Compact housing**. The "compactness" of housing is defined for this study by multiple characteristics: the structure type (detached or attached), the size of the dwelling unit, and the size of the lot the dwelling is located on. The definition of what constitutes compact housing may change by location, for example in a downtown neighborhood versus a suburban area. Compact housing may be either owned or rented.

  More specifically, this study defines compact housing as:

  (1) Detached housing on individual parcels of land smaller than 6,000 square feet or single-family detached condos on a common lot, or

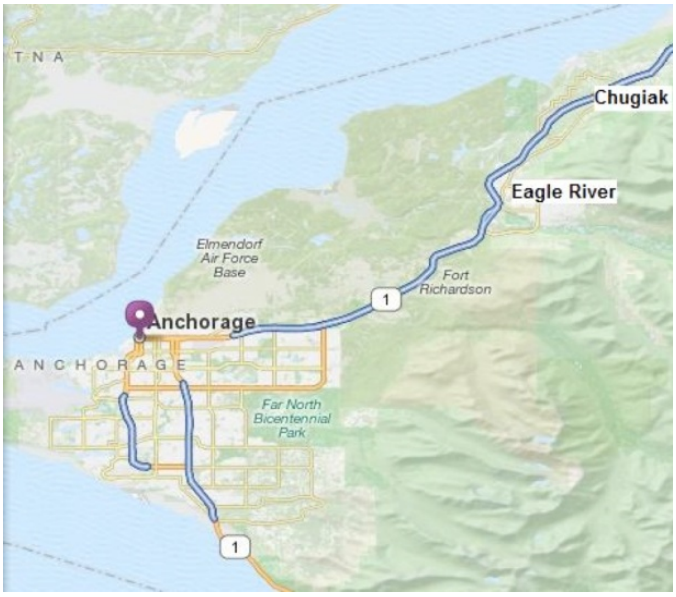
  (2) Attached housing of all types, some of lower density (townhouses, two-family, and duplexes) and some of higher density that are commonly stacked

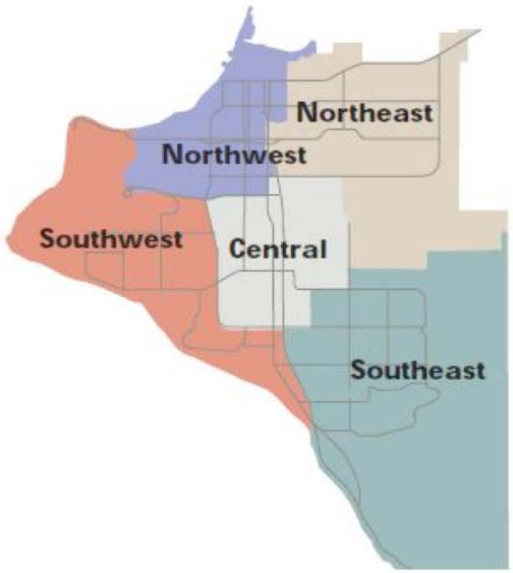
Below is a brief overview of the study methods. More detailed methodological information is available in the appendices.

The study area was the entire Municipality of Anchorage, including Chugiak-Eagle River, but excluding Girdwood and Turnagain Arm.[2] Throughout the report, the terms "Municipality of Anchorage," "the Municipality," and "Anchorage" are used interchangeably to refer to this geographic area. Geographic subareas are shown in the maps below.

[2] Girdwood and Turnagain Arm were not included in this study because their housing market is fundamentally different from the housing market in the Anchorage Bowl and Chugiak-Eagle River.

Figure 1.
Municipality of Anchorage and sub-areas within the Anchorage Bowl





Source: McDowell Group

Technical Advisory Committee

Eleven people were asked by the Municipality of Anchorage to represent a variety of disciplines (such as realtors, finance, developers, architects, planning and zoning commission members, economic development professionals, community councils, and the Anchorage Assembly) with interest and expertise in Anchorage's housing market. The committee was provided background information, draft white papers and analyses (many of which were finalized and found in the Appendices) and other reading material by the study team in advance of six meetings scheduled over the year-long study period. The committee's role was advisory, providing impressions, opinions, and feedback on the study's assumptions, methods, and findings throughout all the study phases. Committee members are acknowledged at the front of this summary.

Housing Surveys

A telephone survey collected a wide range of housing and housing-preference data from a statistically representative sample of households in the Anchorage Bowl and Chugiak-Eagle River. A companion survey was conducted online to gather more detailed information from a separate sample of residents. McDowell Group fielded the telephone survey between January 5 and January 14, 2011. A total of 814 telephone surveys were completed. This sample size produced a maximum sampling error of +/- 3.5 percent at the 95 percent confidence level for the sample as a whole.

The online survey and Discrete Choice Exercise (DCE) was designed to test the attractiveness of certain neighborhood amenities in comparison to specified price, location, square footage and outdoor space alternatives. Specifically, the DCE is a conjoint analysis that quantifies market demand based on how respondents trade off different factors such as amenities, size and price. The online survey was fielded between February 4 and February 13, 2011, using a stratified, online panel designed to be representative of the Anchorage Bowl and Chugiak-Eagle River. A total of 406 complete survey responses were obtained; 298 of these respondents expressed a willingness to consider Compact Urban Housing and completed the DCE. The maximum sampling error for a random sample of these sizes is +/- 4.9 percent (general questions) and +/- 5.5 percent (DCE).

Housing Demand

The housing demand analysis (Appendix C) forecasts demand for housing in the Municipality from 2010 to 2030.[3] It forecasts demand for five housing types: (1) large-lot single-family, (2) single-family, (3) two-family and duplex, (4) townhouse, and (5) multifamily and other. Appendix C provides definitions for each of these housing types.

The forecasts are based on the six main factors that have been shown to affect the amount and type of housing built in a community: (1) population growth and population demographics, (2) purchasing power of households, (3) housing preferences, (4) prices and costs of housing, (5) price of housing substitutes (e.g., transportation), and (6) housing policy. The 20-year forecast begins with historical trends in population and housing growth, coupled with the official forecasts for population and housing growth. The analysis then describes how the six factors may increase or decrease demand for different types of housing.

Financial Feasibility for Building Compact Housing

The evaluation of financial feasibility for building compact housing uses four hypothetical prototypes on hypothetical sites based on the existing Title 21 Land Use Code. The pro formas project development costs and revenues to estimate developer return on investment and to identify real estate market challenges to the development of compact housing. Underlying assumptions in the pro formas were developed through interviews with the Anchorage development and lending community. The pro formas also use findings from a rent survey[4], industry-standard construction cost estimating sources[5]. Please refer to Appendix D for more information about methods, methodological limitations, and assumptions used in the financial feasibility evaluation.

[3] The housing demand was based on population projections produced by the University of Alaska Anchorage's Institute for Social and Economic Research (ISER). ISER's assumptions in their base case projections – which extend from 2010 to 2035 – include high oil prices ($95 per barrel in inflation-adjusted 2009 dollars), the construction of a natural gas pipeline, and oil and gas development on the Outer Continental Shelf resulting in new oil production by 2021. The base case assumes that construction of the Knik Arm Bridge will begin in 2013 and that the bridge will open in 2015.

[4] AHFC Annual Rental Market Survey, 2011

[5] Engineering News Record

Compact Housing Case Studies

The purpose of the case studies was to document development of compact housing in Anchorage and to understand the factors that allowed such development despite financial constraints. The case studies are based on seven existing compact housing developments in the Anchorage region: Hollybrook Terrace, Moss Creek, Delaney Square, Strawberry Village, Aurora Square, Park Plaza, and Discovery Park. The case studies draw from primary research (e.g. interviews with the developers and Municipal staff) to understand the factors that influenced the developer's decision to build compact housing in Anchorage, as well as the market factors and amenities that contributed to the successes and challenges experienced during the development process.

Buildable Lands Inventory and Housing Capacity Analysis

The Municipal Planning Division conducted an inventory of buildable residential land and projected the housing capacity of these lands for the 2010-2030 timeframe. Environmental, land use, and urban service constraints were identified to determine partial and prohibitive constraints on development. The quantity of vacant and partially vacant residential land was estimated. Three density scenarios were applied to determine a range of housing capacity estimates for the Anchorage Bowl and Chugiak-Eagle River. The analysis also included an estimate of the historic rate of redevelopment. Please refer to Appendix F for more information about methods, assumptions, and results.

Forecast of Housing Demand

Economists view housing as a bundle of services for which people are willing to pay some price. Housing is shelter certainly, but also encompasses proximity to other attractions (jobs, shopping, recreation, etc.), amenities (type and quality of fixtures and appliances, landscaping, views), prestige, and access to public services (quality of schools). Because it is impossible to maximize all these services and simultaneously minimize costs, households must, and do, make tradeoffs. What they can get for their money is influenced by both economic forces and government policy. Households value what they can get differently. Each have preferences, which in turn are a function of many factors like income, age of the head of the household, number of people and children in the household, number of workers and job locations, number of automobiles, and so on. This section presents key findings about these factors and how they may affect long-term housing demand in Anchorage.

Demographic Findings

The housing demand forecasts for Anchorage was based on population forecasts for the entire Municipality of Anchorage developed by the Institute of Social and Economic Research (ISER) at the University of Alaska Anchorage.[6] Based on Municipal planning staff's breakdown of this forecast for the Anchorage Bowl and Chugiak-Eagle River sub-regions, it was estimated the Anchorage Bowl will grow by about 43,400 new people between 2010 and 2030 and Chugiak-Eagle River will add 9,000 people over the 20-year period.[7,8]

Growth in population will result in more households and greater demand for housing of all types. Total future demand for specific types of housing (e.g., single-family housing, duplexes, or apartments) will result from housing choices made by existing households and new households. Three household characteristics are strongly correlated with choices about residential location and housing type: age of the household head, size of the household, and income.

The following section presents the age, size and income characteristics of existing households in Anchorage. Appendix C describes in greater detail how these and other characteristics interact to create a range of potential housing choices.

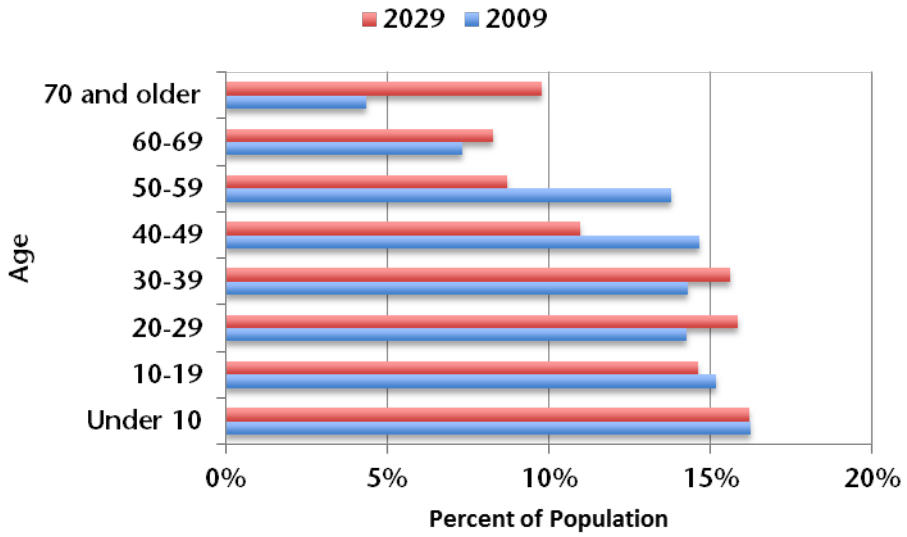
Age of Head of household

Age of head of household is the age of the person identified (in the Census) as the head of household. In general, head of household age affects housing type and tenure (whether the family rents or owns). Following are key age trends projected for Anchorage:

[6] Goldsmith, Scott. Economic and Demographic Projections for Alaska and Greater Anchorage, 2010-2035. (December 2009). http://www.iser.uaa.alaska.edu/Publications/EconDemProjectionsAnchorage_v4.pdf.
[7] This population projection assumes completed construction of the Knik Arm Bridge by 2015.
[8] The Alaska Department of Labor and Workforce Development estimated 296,197 people live in the Municipality of Anchorage in 2011.

- Anchorage's population is forecast to be older in 20 years. Figure 2 shows the Alaska Department of Labor and Workforce Development projection of change in age of the population. Over the 20-year planning period, the largest growth will be for groups of people over 60 years (growing from 12 percent of Anchorage's population in 2009 to 18 percent in 2029) and people 20 to 39 years old (growing from 29 percent of Anchorage's population in 2009 to 31 percent in 2029). The share of people between 40 to 59 years will decrease from 28 percent in 2009 to 20 percent in 2029.

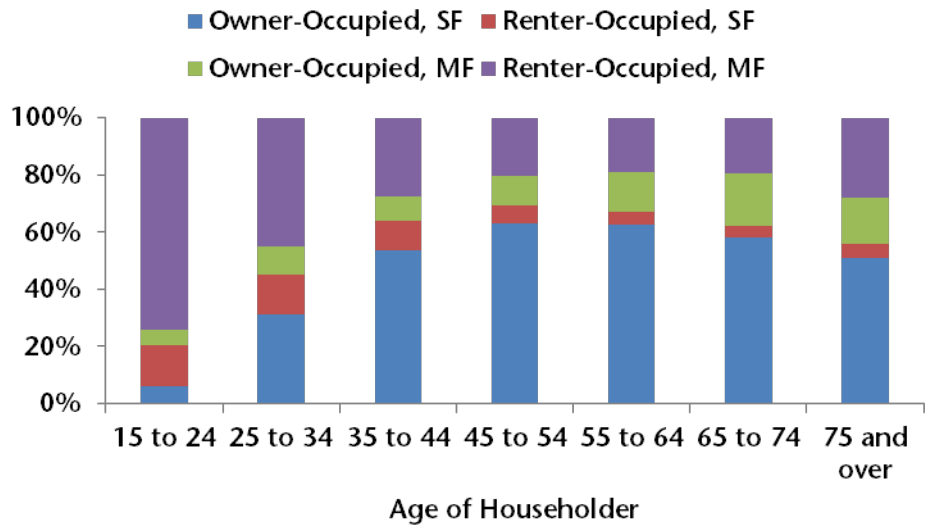
Figure 2.
Projected Population Distribution by Age,
Municipality of Anchorage, 2009-2029



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section, Demographics Unit, "Alaska Population by Age and Sex and Components of Change, 2009-2034" "

- Age is related to housing choice. U.S. Census data describes the relationship between age and housing choice. Figure 3 shows that Anchorage's households with a head of household younger than 34 years and older than 64 years were more likely to live in rental, multifamily units. Head of households between 35 and 64 years old were more likely to live in owner-occupied single-family detached housing.

Figure 3.
Housing Tenure and Structure Type by Head of household Age, Municipality of Anchorage, 2000



Source: U.S. Census 2000 HCT4
Note: MF is all types of attached multifamily housing and SF is single-family detached housing.

The implications for housing demand of the expected changes in the age structure of Anchorage's population are:

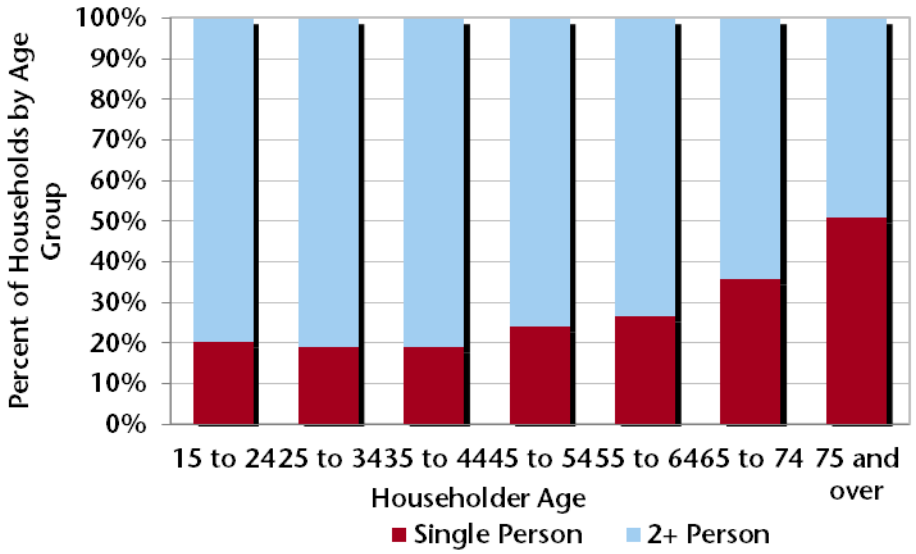
- The aging of Anchorage's population will result in changes in household characteristics. The fastest growing group in Anchorage will be people 60 years and older, as the resident baby-boomers age. On average, household size decreases as people age and, after age 75, homeownership also decreases.
- Many older people will choose to remain in their houses as long as they are able and, as their health fails, may move into institutional housing, such as assisted living facilities or nursing homes. Some older households may downsize to smaller single-family homes (detached and attached) or multifamily units. Others may move to retirement or age-restricted communities or to be closer to family care-givers.
- Anchorage will see growth in younger households. Households 20 to 39 years old will grow over the 20-year period. Some recent research hypothesizes that people in this age group may make different housing choices than their parents as a result of the on-going recession and housing crisis. ECONorthwest's conclusion based on review of recent research, however, is that the majority of people in this age group will continue to make fundamentally similar housing choices as previous generations as they age and have families. It seems likely that they will choose to rent when they are under 30 years, most frequently an attached or multifamily unit. As they establish their careers, increase their incomes, and form families, it seems likely that a large share of people in this age group in Anchorage will prefer to live in owner-occupied single family houses. Some may prefer to rent or own a multifamily unit in or near Anchorage's urban core. Recent articles suggest that those who prefer single-family units may prefer (or only be able to afford) smaller

single-family units, resulting in increased demand for smaller single-family units and decreased demand for large single-family units.

Size and Composition of Household

- Size of household is the number of people living in the household. Younger and older people are more likely to live in single-person households, and people in their middle years are more likely to live in multiple person households (often with children). More than one-third of households with a head of household 65 years or older are single-person households, compared to about 20 percent of households with a head of household 44 years or younger.

Figure 4.
Household Size by Age of Householder, Municipality of Anchorage, 2000



Source: U.S. Census 2000 HCT4

- Household size in Anchorage has decreased over time, consistent with State and national trends. Anchorage's household size decreased from 3.4 persons per household in 1970 to 2.67 in 2000. The State Department of Labor estimates that the Municipality's 2010 household size was about 2.62 persons per household.
- The decrease in household size in Anchorage reflects a change in household composition. The share of households that had children under 18 years old decreased from 39 percent in 2000 to 35 percent in 2009. The share of single-person households increased from 21 percent in 2000 to 23 percent in 2009. These trends are similar to statewide trends.
- Household size is projected to continue decreasing. As the population ages and the number of single-person households grows, household sizes will continue to decrease. Municipal planning staff estimates that future household size in 2030 will be 2.56 persons per household for the entire Municipality, 2.53 persons per household in the Anchorage Bowl, and 2.87 persons per household in Chugiak-Eagle River.

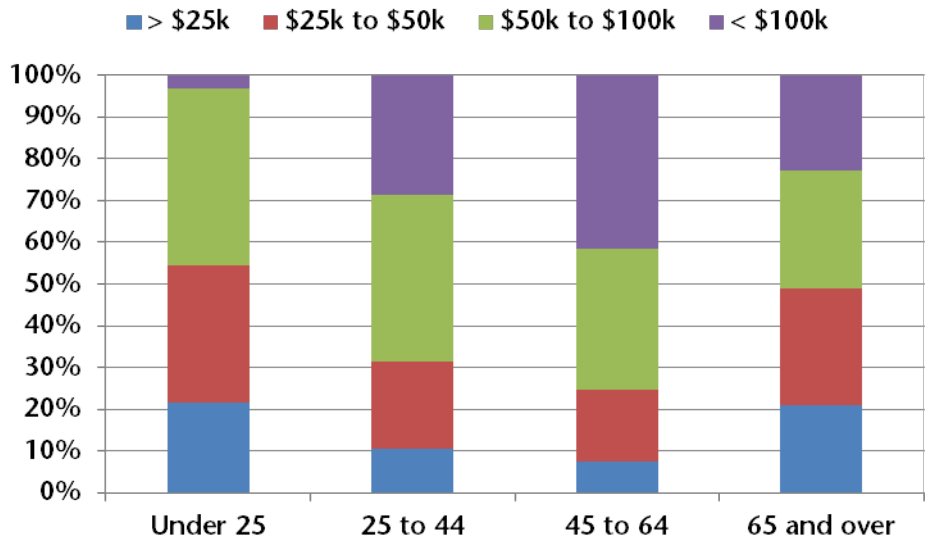
The implication of these changes is demand for smaller units will increase and demand for larger single-family houses, especially by families with children, will decrease. Demand for smaller units may be met with a combination of smaller single-family units (ranging from small-lot single-family houses, to condos, to attached units) and multifamily units.

Income

Income is an important determinant of the type of housing a household chooses (e.g., single-family detached, duplex, or a building with more than five units) and also of household tenure. A review of Census data shows that as income increases, households are more likely to choose single-family detached housing. Consistent with the relationship between income and housing type, higher income households are also more likely to own than rent.

- Income in Anchorage is higher than state or national averages. The median income in Anchorage in 2009 was $72,832, compared to a State median of $66,953 or a national median of $50,221.
- Income is not projected to grow substantially over the 20-year period. ISER projects that per capita personal income will remain relatively flat over the 20-year period, increasing from about $40,196 per person in 2010 to $40,832 in 2030 (in 2009 dollars).[9]
- Income varies by the age of households. Figure 3 shows, in general, younger and older people have lower income than working-age people.

Figure 5.
Household Income by Age of Head of household, Municipality of Anchorage, 2009



Source: American Community Survey 2009 B19037

[9] http://www.iser.uaa.alaska.edu/Publications/EconDemProjectionsAnchorage_v4.pdf.

The implications of the expected changes in the income of Anchorage's household on housing demand are:

- Lack of growth in income may increase demand for compact housing. To the extent that compact housing is less expensive than larger housing types, the slow growth in income will increase demand for compact housing.
- Growth in lower-income and less wealthy older households is likely to increase demand for compact attached or multifamily rental housing. The population forecast shows that the fastest growing groups over the next 20 years will be people over age 60. Although income declines for households over 65 years old, these households typically have greater accumulated wealth (e.g., housing equity or investments) than younger households. Older households with lower-income to begin with may be more affected by declines in income if they do not have non-income wealth.

Housing Preference Survey Findings

A telephone survey was conducted with 814 randomly selected Anchorage and Chugiak-Eagle River households to collect a range of housing and housing-preference data, including attitudes toward compact housing. An online survey and Discrete Choice Exercise (DCE) was also conducted to supplement the telephone survey and test the attractiveness of certain neighborhood amenities in comparison to specified price, location, square footage and outdoor space alternatives. The main findings of the surveys were:

- **Respondents have a preference for single-family homes**. Anchorage and Chugiak-Eagle River residents heavily favor single-family homes (either attached or detached) over multi-unit complexes (74 percent vs. 22 percent respectively).
- **Respondents have a preference for ownership.** Eight of ten survey respondents say they are more likely to buy than rent their next residence. Younger people, single-person households and lower-income households are most likely to rent. Forty percent of those renting now say they are most likely to rent their next home as well.
- **Respondents generally prefer centrally located, safe neighborhoods.** When Anchorage and Chugiak-Eagle River residents chose their current neighborhoods, they did so on the basis of a complex interaction of factors.
    - When asked for the single most important reason for choosing their current neighborhood, the top three responses given included "centrally located" (22 percent), "quiet/private," (11 percent) and "distance from work" (10 percent).
    - When asked what neighborhood amenity will be most important in their next neighborhood choice, the top response was "neighborhood safety" (22 percent).

- **18 percent of respondents were "highly likely" candidates to choose compact housing based on their stated housing preference.** "Highly likely" respondents for compact housing in the future are those who stated they:
    - Are likely to consider a smaller home in the future *and*
    - Prefer a smaller home and shorter commute rather than a larger home and longer commute *and*
    - Prefer being close to restaurants, stores and entertainment to having a large yard.
  - People "highly likely" to choose smaller homes:
    - Were a little older than average and less likely to have children at home, but similar to Anchorage's population otherwise.
    - Generally value the same neighborhood amenities as all respondents but were somewhat more likely to consider proximity to trails and open space, and also to grocery stores as important, and they show slightly less interest in play space for children.
    - Do not place as high a value on a large yard or the need for storage space for their recreational equipment.
  - This pool of "highly likely" candidates for compact housing will likely increase in the future as older Alaskans are the fastest growing segment of the population.

Case Studies of Compact Housing Findings

This study included case studies of compact housing in Anchorage. The selection of case studies of residential developments illustrates a variety of types of compact housing built in Anchorage including: small (starting around 1,000 square feet) single-family housing, townhouses, stacked condominiums and apartments. The case studies are presented in Appendix E.

The case studies produced three main conclusions:

- **Compact housing can be developed in Anchorage successfully if attention is paid to the unique characteristics of Anchorage's housing market.** Compact development should create a sense of place that fits with the Alaskan life style, creating a balance between the conveniences of a mid-size city and the outdoor lifestyle that attracts people to Alaska. Successful compact development focuses on natural amenities, open space and views, provides storage for outdoor activity equipment, and creates a site plan with attention to architectural details. "Horizontal (site) condominiums," when well built, can be a suitable product for achieving moderate density.
- **Compact housing vacancy rates have been similar to vacancy rates for other rental units in Anchorage.** The vacancy rates of the case studies rental units was less than 5 percent. According to a survey by the Alaska Housing Finance Corporation Rental vacancy rates were generally below 5 percent between 2000 and 2010.

- **Financing is a barrier to compact housing projects.** Financing is difficult to obtain in the Anchorage area, consistent with national trends. High pre-sale requirements for condominium projects are a significant barrier to development.

Baseline Housing Demand Forecast

Table 1 shows an estimate of demand for new housing in the Anchorage Bowl and Chugiak-Eagle River for the 2010 to 2030 period. The forecast is based on the following assumptions:

- Population in the Municipality will increase by 53,900 people from 2010 to 2030, with 43,400 additional people in the Anchorage Bowl and 9,000 additional people in Chugiak-Eagle River.
- The average household size will decrease to 2.53 persons per household in the Anchorage Bowl and 2.87 persons per household in Chugiak-Eagle River, as described in Appendix B.
- Vacancy rates for all housing types will be 6.0 percent in 2030.

Table 1 shows the Anchorage Bowl will need 18,184 new dwelling units and Chugiak-Eagle River will need to add 3,324 new dwelling units to accommodate population growth between 2010 and 2030. The total new dwellings added in the Municipality would be 21,222 by 2030.[10]

Table 1.
Forecast of New Dwelling Units,
Anchorage Bowl and Chugiak-Eagle River, 2010 to 2030

	Estimate of Housing Units (2010-2030)	
	Anchorage Bowl	Chugiak-Eagle River
Change in persons	43,400	9,000
Average household size	2.53	2.87
New occupied DU	17,155	3,136
Times Aggregate vacancy rate	6%	6%
Equals Vacant dwelling units	1,029	188
Total new dwelling units (2010-2030)	**18,184**	**3,324**
Annual average new dwelling units	**909**	**166**

Source: ECONorthwest
Note: DU is "dwelling unit."

Table 2 presents a baseline forecast of new dwelling units by structure type based on the current distribution of housing stock in the Anchorage Bowl and Chugiak-Eagle River. The forecast in Table 2 assumes that the current housing trends continue over the next 20 years.

[10] The forecast of new units does not account for dwellings that will be demolished. This analysis does not factor those units in; it assumes they will be replaced at the same site and will not create additional demand for residential land.

Table 2.
Baseline Forecast of New Dwelling Units by Structure Type,
Anchorage Bowl and Chugiak-Eagle River, 2010 to 2030

Dwelling Units by Structure Type	Estimate of Housing Units (2010-2030)	
	Anchorage Bowl	Chugiak-Eagle River
Total new dwelling units (2010-2030)	18,184	3,324
Large Lot Single-Family		
Percent large lot single-family	4%	25%
Equals total new large lot single-family DU	726	831
Single-Family		
Percent single-family	38%	52%
Equals total new single-family DU	6,912	1,729
Two Family/Duplex		
Percent two family/duplex	16%	12%
Equals total two family/duplex DU	2,909	399
Townhouse		
Percent townhouse	5%	1%
Equals total townhouse DU	909	33
Multifamily and other		
Percent multifamily and other	37%	10%
Equals total multifamily and other DU	6,728	332
Total new dwelling units	**18,184**	**3,324**

Source: ECONorthwest
Note: DU is "dwelling unit."

Housing Demand Forecast Based on Expected Trends

The baseline forecast of housing demand by type of housing (Table 2) is a starting point for forecasting Anchorage's future housing demand. Table 3 presents a variation on the baseline forecast of housing demand. This variation assumes the same population growth and the same number of units needed as the baseline forecast. However, the forecast in Table 3 adjusts the type of housing in demand based on expected trends in some of the key factors that affect housing demand:

- **Population and demographics.** Future demand for compact housing will be affected by changes in demographics, especially changes in age and growth in Alaska Native and Hispanic populations. In general, Anchorage's population will grow older, with the most growth in people over 65 years and between 20 and 39 years. Minorities are likely to account for a larger share of Anchorage's population in the future, with the largest growth in Alaska Native and Hispanic populations. These changes suggest an increase in demand for housing in general and need for compact housing types to meet housing demand.

- **Purchasing Power**. ISER's projection for change in real household income is that income will remain stable over the 20-year period. The lack of growth in household income suggests that, if real housing costs increase (as discussed below), housing may become less affordable and demand for compact housing may increase.
- **Preferences.** The survey of housing preferences in Anchorage shows that respondents have lived at their current residences for about eight years, suggesting that, on average, most households will move two or more times over the 20-year period. According to the survey, about half of residents are willing to accept a smaller home in the right location and about one-fifth of respondents are "highly likely" candidates for compact housing. The results of the survey suggest that the types of compact housing that respondents may have a preference for are lower-density multifamily structures such as duplexes or townhouses.
- **Prices and costs of housing.** The price of homeownership and renting increased over the last decade or more. If housing costs continue to grow and purchasing power does not grow at the same rate, then housing will become less affordable over time. As housing prices increase, some households may choose smaller dwellings, which may be more expensive on a per-square-foot basis but will be more affordable than larger housing types. Decreases in housing affordability suggest increased demand for compact housing.
- **Prices of housing substitutes.** The most common housing substitute is commuting from a lower cost housing market (e.g., Mat-Su) to Anchorage. Increases in commuting costs (primarily fuel price, parking price, and congestion) would result in increased housing demand in Anchorage.
- **Housing Policy.** Changes in Municipal housing policy could change the supply and cost of different types of compact housing. For example, if the Municipality allowed small-lot, single-family detached units (e.g., on lots less than 6,000 sq. ft.), households may choose to purchase or rent more compact single-family dwellings. The section on policy implications discusses potential changes to housing policy that may affect demand for compact housing.
- **Availability of Land.** Availability of land will affect demand for compact housing. Municipal staff recently completed an analysis of the supply of buildable land that concluded there is not enough land in Anchorage to accommodate the forecasted demand for most types of housing. The implications of this finding are discussed in the next section.

There are dozens of ways that the housing mix in the Anchorage Bowl and Chugiak-Eagle River could vary over the 20-year period. Table 3 presents one variation for compact housing in Anchorage that is consistent with the research findings from this study.

Table 3.
Variation to the Forecast of New Dwelling Units by Structure Type, Anchorage Bowl and Chugiak-Eagle River, 2010 to 2030

Dwelling Units by Structure Type	Estimate of Housing Units (2010-2030)	
	Anchorage Bowl	Chugiak-Eagle River
Total new dwelling units (2010-2030)	18,184	3,324
Large Lot Single-Family		
Percent large lot single-family	2%	20%
Equals total new large lot single-family DU	362	665
Single-Family		
Percent single-family	33%	50%
Equals total new single-family DU	6,003	1,663
Two Family/Duplex		
Percent two family/duplex	19%	15%
Equals total two family/duplex DU	3,455	499
Townhouse		
Percent townhouse	8%	4%
Equals total townhouse DU	1,455	132
Multifamily and other		
Percent multifamily and other	38%	11%
Equals total multifamily and other DU	6,909	365
Total new dwelling units	**18,184**	**3,324**

Source: ECONorthwest
Note: DU is "dwelling unit."

Conclusions for Future Housing Demand

Overall conclusions from the foregoing research about the future of Anchorage housing demand over the 2010 to 2030 period include the following:

- **Population growth will result in demand for additional housing.** Population growth in the Anchorage Bowl[11] will result in demand for about 18,200 new dwellings in the Anchorage Bowl and about 3,300 new dwellings in Chugiak-Eagle River over the 20-year period.

[11] The population forecasts are based on ISER's forecast for the Municipality and assumptions about the allocation of population within Anchorage from Municipal staff.

- **The mix of housing in the Anchorage Bowl is likely to change over time, with increased demand for attached and compact housing types.** The current mix of housing in the Anchorage Bowl is 42 percent single-family housing types[12] and 58 percent attached housing types.[13] Demographics, prices, and preferences will change over the next 20-years with the result that demand may be closer to 35 percent for single-family housing and 65 percent for attached housing.
- **Demand for housing in the Chugiak-Eagle River area will show a similar trend, but the mix of new housing development will remain predominantly weighted toward single-family housing types.** The current mix of housing in the Chugiak-Eagle River is 77 percent single-family housing types and 23 percent attached housing types.[14] Over the next 20-years, the mix of newly developed housing may be closer to 70 percent for single-family housing types and 30 percent for attached housing types.

[12] This includes large-lot single-family houses and urban single-family houses.
[13] This includes the following housing types: two family/duplex, townhouse, and multifamily and other.
[14] Ibid.

Land Supply and Housing Capacity

Independent of the study of housing demand, staff at the Municipality completed an extensive evaluation of residential land supply. The methodologies, assumptions, and results of the buildable land inventory are presented in Appendix F. This section presents a brief summary of the findings.

Table 4 summarizes the net supply of buildable residential land in the Anchorage Bowl and Chugiak-Eagle River. It deducts prohibitively constrained lands[15] from the gross buildable acreage of vacant and partially vacant land in residential zoning districts to yield the net acreage of buildable residential lands. This is the acreage of land expected to be physically available for new housing during 2010 to 2030. Figures 6 and 7 show the location of buildable residential land in the Anchorage Bowl and in Chugiak-Eagle River.

Table 4.
Acres of Buildable Residential Land, 2010

Land Supply Category	Anchorage Bowl	Chugiak-Eagle River
Gross Buildable Residential Land		
Vacant	7,533	21,697
Partially Vacant	765	1,856
Total	8,298	23,553
Minus Prohibitively Constrained Land		
Vacant	- 2,325	- 12,245
Partially Vacant	- 149	- 1,022
Total	- 2,474	- 13,267
Equals Net Buildable Residential Land [16]		
Vacant	5,208	13,355
Partially Vacant	616	834
Total	**5,824**	**14,189**

Source: Municipality of Anchorage

[15] Prohibitive constraints include severe environmental conditions, commitments to a future non-residential use, or anticipated lack of road access. Prohibitively constrained lands are considered unavailable for housing development.
[16] Net buildable land in Table 4 includes unconstrained lands as well as partially constrained lands. Partial constraints such as buildable wetlands, moderately steep slopes, or lack of access to sewer service are considered buildable although at lower assumed densities than unconstrained lands.

Figure 6. Anchorage Bowl

Net Supply of Buildable Residential Land

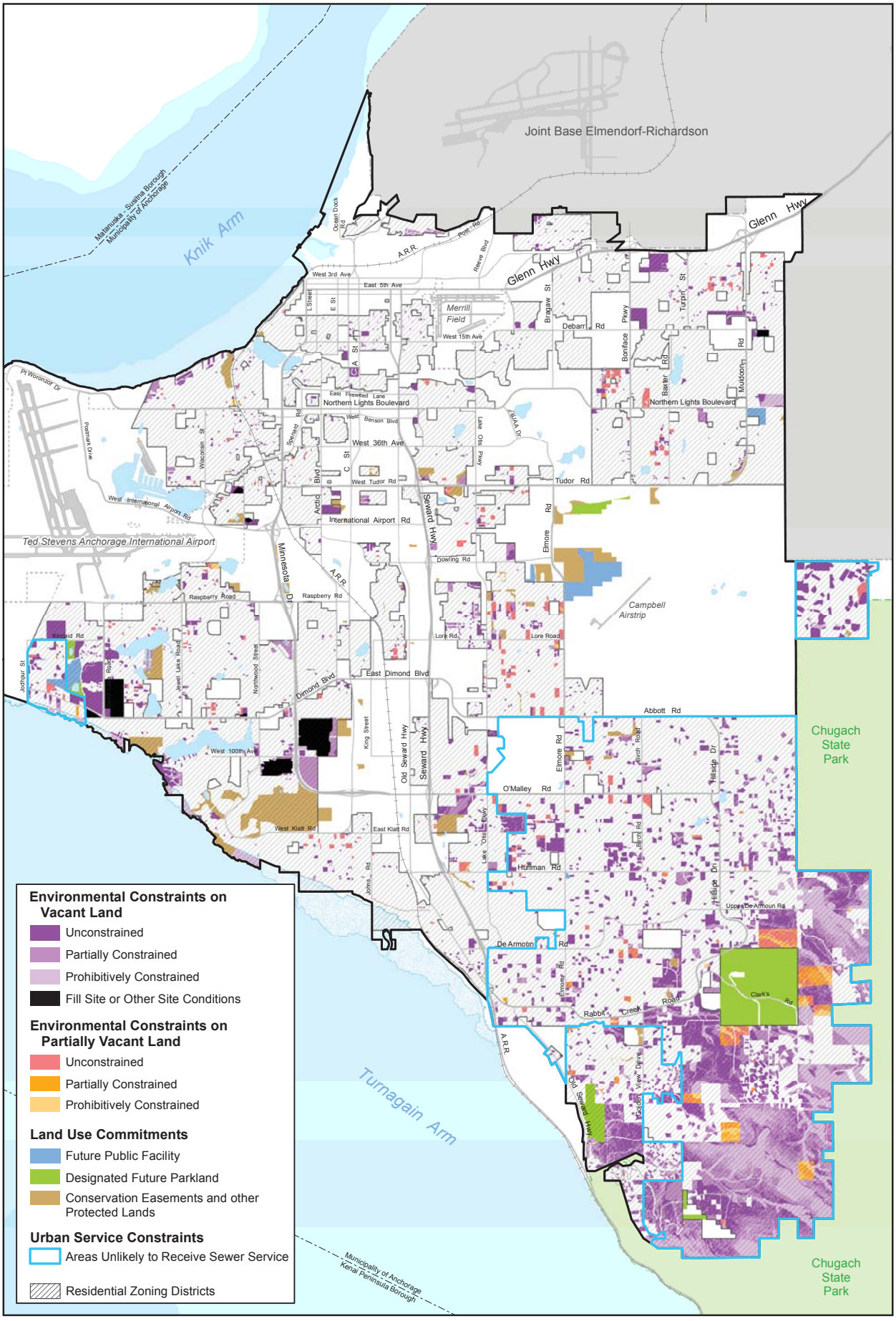


Figure 7. Chugiak - Eagle River

Net Supply of Buildable Residential Land

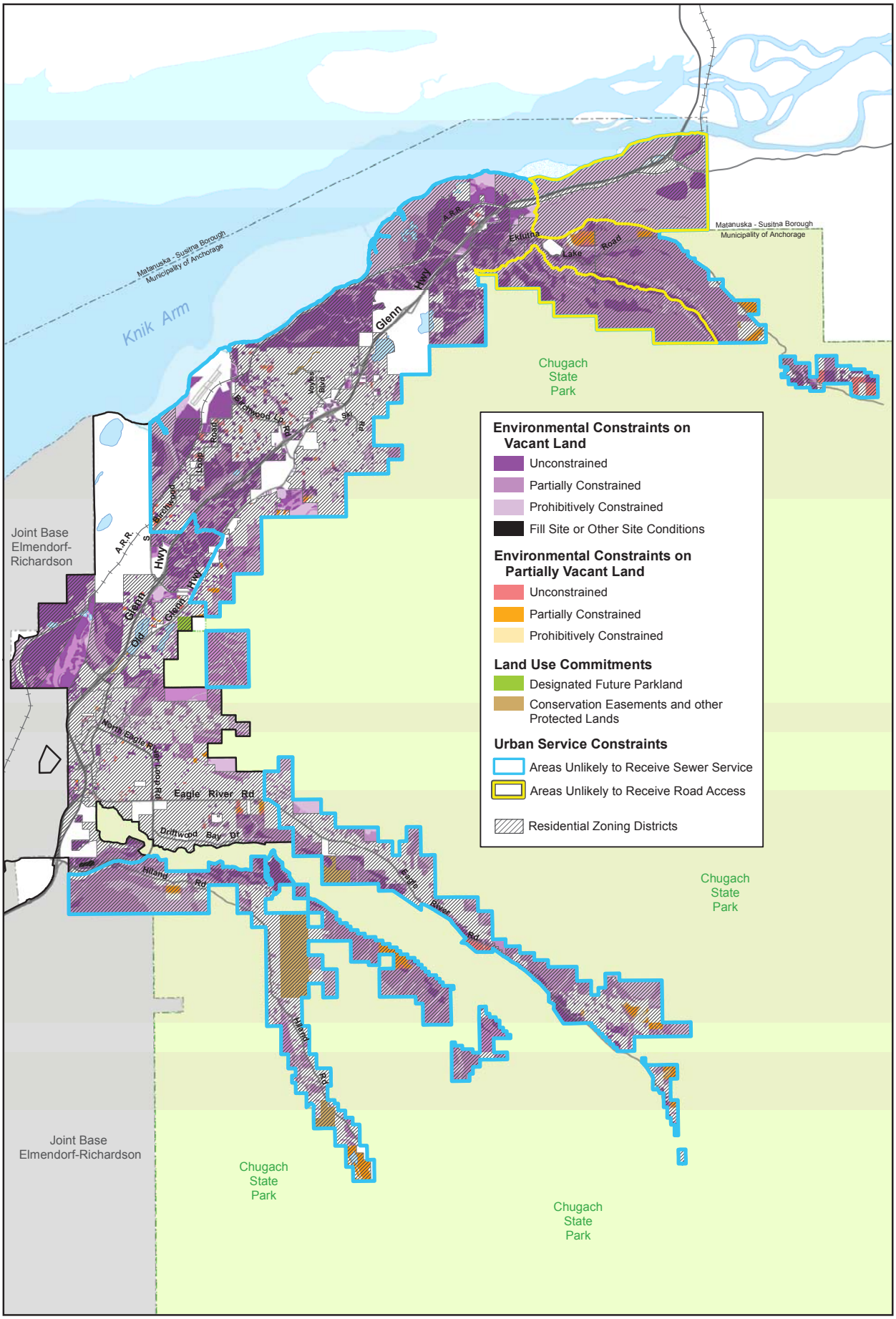


Table 4 shows there were 5,800 acres (net) of buildable residential land in the Anchorage Bowl as of 2010, including 5,200 acres of vacant (undeveloped) land, and 600 acres of partially vacant land that has space to be further subdivided or developed. This indicates a 30 to 40 percent decline in the amount of buildable residential land since 1998 in the Anchorage Bowl, when approximately 8,500 acres of vacant residential lands existed.[17]

To provide the range of housing capacity that the buildable land supply is likely to accommodate, the analysis provided the following three density scenarios:

- "Recent Densities" – A continuation of the average residential densities (dwellings per acre) and mix of housing structure types achieved over the past ten years;
- "Historical Densities" – The average residential densities and mix of housing structure types achieved by all existing housing stock, regardless of year built; and
- "Accelerated Densities" - A transition to higher average densities closer to the maximum achievable residential densities allowed by zoning. This scenario assumes the average future density is the median between recent achieved densities and the maximum allowed density in each zoning district.

Table 5 summarizes the housing capacity on vacant and partially vacant land in the Anchorage Bowl by structure type using the three density scenarios. A few key findings stand out:

- Recent achieved densities are lower than historically achieved densities especially in the R-3 and R-4 districts. This is due to a combination of factors but most notably, a shift from higher density stacked multifamily housing that was developed in the 1970's and 1980's to lower density ground-orientated townhouse style development constructed more recently.
- In order to accommodate more than 11,000 housing units on the vacant and partially vacant land supply, there must be trend toward higher density development in the Bowl.
- There is a significant potential for the Anchorage Bowl to accommodate more multifamily development on vacant and partially vacant land if there is an increase in density. The "accelerated density" scenario increases the capacity for multifamily units by over 2,000 units.

[17] *Anchorage 2020/Anchorage Bowl Comprehensive Plan*, page 25.

Table 5.
Anchorage Bowl Residential Vacant[18] Land Housing Capacity:
Number of Dwellings by Structure Type and Housing Density Scenario,
for Period 2010-2030

Structure Type	Housing Density Scenarios		
	1. Recent Densities	2. Historical Densities	3. Accelerated Densities
Large Lot Single Family	1,945	2,030	1,991
Single Family	3,535	3,614	3,813
Two Family / Duplex	1,890	1,272	1,878
Townhouse	1,043	768	1,572
Multifamily / Other	2,040	3,315	5,486
Total dwellings	**10,453**	**11,000**	**14,740**

For Chugiak-Eagle River, housing capacity is affected largely by how much of Eklutna, Inc. landholdings become available for residential development over the next twenty years. The three housing capacity scenarios include different assumptions about the development of Eklutna, Inc.'s lands. Table 6 summarizes the capacity of buildable land to accommodate new housing in Chugiak-Eagle River by structure type and housing density scenario. According to the analysis:

- The majority of future housing capacity is located in the Powder Reserve and Eklutna 770 Tract which are beyond the extent current urban services.
- A significant share of land in Chugiak-Eagle River is constrained by lack of sewer service thus holding the capacity to one dwelling unit per acre (The maximum density allowed on a septic system.)
- There is relatively little capacity in Chugiak-Eagle River for townhouse or multifamily development.

[18] Includes vacant and partially vacant land capacity.

Table 6.
Chugiak-Eagle River Residential Vacant Land [19]Capacity
Number of Dwellings by Structure Type and Housing Density Scenario
for Period 2010-2030

Structure Type	Housing Density Scenarios		
	1. Recent Densities	2. Historical Densities	3. Accelerated Densities with Phasing Additional Lands
Large Lot Single Family	1,659	1,700	3,227
Single Family	2,306	2,677	3,535
Two Family / Duplex	691	824	1,171
Townhouse	608	707	1,005
Multifamily / Other	526	629	1,012
Total dwellings	**5,790**	**6,537**	**10,000**

Redevelopment

The housing capacity analysis summarizes the capacity in the Municipality on vacant and partially vacant buildable land, but housing capacity can also be accommodated through redevelopment. Redevelopment occurs when a parcel on which development already exists is converted to a more intensive use. Rather than estimate the quantity of land in Anchorage that is likely to redevelop, Municipal staff analyzed the historical rate of redevelopment in the Anchorage Bowl. The analysis was limited to "large" redevelopment defined as redevelopment projects where the net residential unit count increased by three or more. The key findings of the analysis are:

- Six percent of the total dwelling units created in the Anchorage Bowl between 1998 and 2010 were built through "large" redevelopment. Seventeen percent of multifamily and townhouse units in the Anchorage Bowl during the same time period were built through "large" redevelopment.
- The majority of "large" redevelopment is occurring in the Northeast and Northwest subareas of the Anchorage Bowl.
- A few large redevelopment projects had a significant impact on the rate of redevelopment. The McKinley Building on 4th and Denali added 160 multifamily units and the redevelopment of a mobile home park into a duplex condominium project at Boniface and Sapphire Loop created 86 additional units.
- Projecting the same rate of redevelopment into the future, 800 units will be created through "large" redevelopment from 2010-2030. However, there is significantly more potential for redevelopment in the Bowl if the redevelopment rate increased.

[19] Includes vacant and partially vacant land capacity.

Comparison of Land Supply and Demand

This section compares the capacity of residential land with the forecasted housing demand 2010-2030. The comparison is based on the land capacity assumptions in Table 5 using the middle density scenario, "historical densities" and the housing demand variation that shows a shift towards compact housing (from Table 3). Table 7 shows that Anchorage lacks enough vacant and partially residential land to accommodate expected growth, if the Municipality continues to develop at historic densities. Without increasing the density of development or rate of redevelopment, Anchorage lacks land for about 8,900 of the housing units that the new population will require, including 2,400 units of single-family, 2,200 units for two-family/duplex, 700 townhouse units, and 3,600 multifamily units.[20]

Table 7.
Residential Land Sufficiency, Anchorage Bowl, 2010 to 2030

Structure Type	Land Capacity	Housing Demand	Sufficiency (capacity minus demand)
Large Lot Single Family	2,030	362	1,668
Single Family	3,614	6,003	(2,389)
Two Family / Duplex	1,272	3,455	(2,183)
Townhouse	768	1,455	(687)
Multifamily / Other	3,315	6,909	(3,594)
Total	**11,000**	**18,184**	
Total "surplus units"	--	--	**1,668**
Total "deficit units"	--	--	**(8,852)**

Source: ECONorthwest
Note: Land Capacity is from Table 5 and housing demand is from Table 3

Some new dwelling units in the Anchorage Bowl may be accommodated through redevelopment. Municipal staff has estimated that at least 6 percent of housing developed in the Anchorage Bowl between 1998 and 2010 was accomplished through redevelopment. If that trend continues, about 800 of the Anchorage Bowl's new dwelling units will result from redevelopment, reducing the land shortfall from 8,900 units to about 8,100 units. Without an increase in average density, to fully meet the projected deficit of capacity for multifamily, over 50 percent of multifamily housing units will need to be accommodated through redevelopment.

[20] ECONorthwest considered residential land sufficiency under both demand forecasts presented in "Anchorage Forecast for Housing Demand 2010 to 2030" (the baseline in Table 2 and the variation in Table 3) at all three levels of capacity modeled by Municipal staff (Table 4 in this summary). The results were essentially the same in all six permutations of land capacity and housing demand: the Anchorage Bowl lacks enough land to accommodate the forecast for single-family, two-family/duplex, and multifamily housing. In some permutations, the Anchorage Bowl had enough land to accommodate demand for townhouses and in some cases it did not.

Table 8 is based on the same data sources as Table 7, but for the Chugiak-Eagle River area. Table 8 shows that Chugiak-Eagle River will have a surplus of land in each housing category, with the largest surpluses in large-lot single-family and single-family.[21]

Table 8.
Residential Land Sufficiency, Chugiak-Eagle River, 2010 to 2030

Structure Type	Land Capacity	Housing Demand	Sufficiency (capacity minus demand)
Large Lot Single Family	1,700	665	1,035
Single Family	2,587	1,663	924
Two Family / Duplex	914	499	415
Townhouse	707	132	575
Multifamily / Other	629	365	264
Total "surplus units"	**6,537**	**3,324**	**3,213**

Source: ECONorthwest.
Note: Land Capacity is from Table 6 and housing demand is from Table 3.

The key findings of the comparison of land supply and demand in the Anchorage Bowl and Chugiak-Eagle River are:

- If the Municipality continues to develop at historic densities and redevelopment rates, Anchorage does not have enough vacant and partially vacant, buildable residential land to accommodate the forecasted new housing demand over the next 20 years. The identified vacant and partially vacant land in the Anchorage Bowl and Chugiak-Eagle River combined can accommodate about 17,000 new dwellings of all types. The forecasted population growth for the next 20 years would require about 21,500 new dwelling units of all types.
- Anchorage has a deficit of land for all housing types, except for large-lot single-family housing. Given the historic densities and rate of redevelopment and expected demand, Anchorage lacks land for about 8,900 of the housing units that new population will require over the next 20 years: 2,400 units of single-family, 2,200 units for two-family/duplex, 700 townhouse units, and 3,600 multifamily units. If redevelopment over the 20-year period occurs at a similar pace to redevelopment over the last 20-years, at least 5.7 percent of new housing will be accommodated through redevelopment.[22] Even so, the Anchorage Bowl lacks land for about 8,100 new dwelling units.

[21] ECONorthwest considered residential land sufficiency under both demand forecasts presented in "Anchorage Forecast for Housing Demand 2010 to 2030" (the baseline in Table 2 and the variation in Table 3) at all three levels of capacity modeled by Municipal staff. The results were essentially the same in all six permutations of land capacity and housing demand: Chugiak-Eagle River has enough land to accommodate the forecast all types of housing.
[22] A more detailed analysis can be found in Appendix F.

- Chugiak-Eagle River has a surplus of land for all housing types. Over the next 20 years, Chugiak-Eagle River has capacity to accommodate about 6,500 new dwelling units while demand is projected for only 3,300 new dwelling units. The surplus of residential capacity in Chugiak-Eagle River is not large enough to accommodate the deficit of residential capacity in the Anchorage Bowl, especially for attached and multifamily housing types.
- The mismatch between demand and supply is serious and needs attention. Of course, these are just estimates of a hypothetical future. But even if the numbers are rough, they show clearly that the accepted forecasts for population growth generate a demand for housing units that cannot be built on the buildable, vacant and partially vacant land at the historic densities.
- Several factors will operate to mitigate the ultimate mismatch. It is very unlikely that the market will continue to use available land at the same rate until it is all gone, and then be unable to build housing. Market forces will begin to adjust to restricted supply well before there was no buildable land. This study has not attempted to estimate when market forces will start to adjust to the restricted land supply. It is likely that the market has started to make that adjustment, given the rate of redevelopment over the last 12 years. In a sense, the on-going discussions about the sufficiency of land, such as this study and the work completed for *Anchorage 2020*, show that the private sector and the public sector are attempting to address the issues of a restricted land supply. Many cities with restricted land supplies continue to grow. They do so, however, by getting denser: they build on smaller lots and redevelop at higher densities. Anchorage has had residential redevelopment in the recent past, with at least 5.7 percent of housing developed in the Anchorage Bowl over the last 12 years accommodated through redevelopment.

  Another possibility is that a lack of land in the Anchorage Bowl and resulting higher housing prices could shift some of that demand to Chugiak-Eagle River, but such a shift must be supported by public policy and investment. Even if that demand were completely mobile, Chugiak-Eagle River cannot support all the housing that lacks land in the Anchorage Bowl. Another possibility is that restricted land supply and higher housing prices will cause the population growth to be less than what current forecasts are predicting.

Financial Feasibility for Developing Compact Housing

Feasibility Issues Specific to Anchorage

Every development environment has peculiarities that affect local feasibility. The three factors unique to Anchorage (compared to other cities of comparable size) are:

- **The development code allows for the development of multiple structures on one lot or "horizontal condominiums."** The majority of compact housing developed in Anchorage in recent years has been "horizontal condominiums" Horizontal condominiums can be structured as a site-condo or a full-service condo. [23] Horizontal condominiums are an attractive development model in Anchorage because:

  1. The developer does not need to subdivide and plat the parcel, which decreases development time and costs.
  2. A horizontal condominium does not have the same setback or street improvement requirements as a platted subdivision which allows for greater density.
  3. The lack of interior lot lines in a horizontal condominium development affords more flexibility in designing infrastructure.

- **Site and development conditions increase construction costs.** One widely-used source of construction cost estimating indicates construction to be 37 percent more costly in Anchorage than in the U.S. on average because of climate, geography and economic conditions. [24]

  More specifically, Anchorage cost factors include the short construction season; a lack of a contiguous utility, street and sidewalk grids and unexpected contamination on sites; the presence of peat which must be removed to allow adequate structural integrity; higher costs for materials that must be shipped long distances to reach Anchorage; a smaller and less flexible labor pool resulting in higher labor cost; less than ideal available building sites; and other factors.

- **For the most part, Anchorage lacks neighborhoods with a traditional "main street" architectural form where higher density development typically locates.** Many developers across the country have found that compact housing is easier to finance and sell when it is located near retail and other types of amenities (grocery stores, coffee shops, transit access, etc.) The reasons relate primarily to consumer demand. People are willing to live in smaller units, and sometimes even pay more for less living space, in exchange for a pleasant urban environment, convenient access to their daily needs, and lower transportation costs. Anchorage lacks the traditional "main street" architectural forms that support this amenity because Anchorage was developed after the advent of the automobile.

[23] Please see a further explanation in Appendix E.
[24] 2009 Engineering News-Record Square Foot Cost Book.

This limits the ability of developers to capitalize on existing urban form and activity to support rental prices, which mostly strongly affects the feasibility of the kinds of higher-end compact development forms (more expensive condos, executive apartments) that require a complete package of amenities to successfully compete with larger, more suburban style homes at similar price points.

Feasibility Findings

The feasibility analysis modeled prototypes of four development types:

(1) Small-lot single-family detached unit

(2) Infill townhomes

(3) Mid-rise residential development

(4) Mid-rise mixed-use development

Appendix D describes the assumptions used for the modeling. The analysis found:

Single-family Detached

- The single-family detached prototype on a 3,000 square foot lot is the most financially feasible. The pro forma indicated that the units can be built profitably. This result does not necessarily mean that all developers and all banks would automatically invest in such a project. But, reasonably risk-averse developers/bankers might choose to invest in this type of development.
- The Municipality's current zoning regulations do not allow for single-family homes built on a lot smaller than 6,000 square feet except in special circumstances. This makes compact, small-lot single-family housing on a single lot difficult to build in Anchorage and is an housing policy option that we suggest the Municipality explore.

Infill Townhomes

- The townhome prototypes are close to feasible. The pro forma shows a return for the developer of about $173,000 (excluding resources for construction and financing) on a nearly $2 million construction project. This result does not necessarily mean that all developers and all banks would automatically invest in a project like this one. But, reasonably risk-averse ones might choose to invest in this type of development.
- The townhome prototype is close to feasible but sensitive to changes in the assumptions including increasing costs or decreases in sale price. This sensitivity explains the tendency for developers to prefer "horizontal condominiums" to a fee-simple subdivisions for this housing type. A condominium approach allows the developer to slightly lower the development costs and reduce the amount of land needed, which reduces the financial risk for the developer and the financer. This is one of the main factors that drives developers to a condominium structure when developing compact housing.

Mid-rise Residential and Mid-rise Mixed-use

- The mid-rise multifamily and the mixed-use rental prototypes are financially infeasible. This finding is consistent with observations of the market: very few projects of this type are being built in Anchorage, or elsewhere in the country, without subsidy. The financial gap, depending on a number of factors such as development and equity financing costs, ranges from 20 percent to 55 percent of total development costs. Rents would have to increase by 25 to 60 percent in order to make the project feasible.
- The primary factor that makes these building forms financially infeasible is higher costs of development in Anchorage, including water table and soils issues, contamination, labor, cost of transportation of materials, and non-contiguous and incomplete availability of infrastructure and utilities. In response, developers try to reduce their cost, which in some cases leads to a lower quality product. New lower quality product coming on line can create a cycle that keeps rents low in the market and distorts the market's ability to produce higher-end product, because none is available as a comparable product for the lending community. In addition, mixed-use and mid-rise residential prototype cost more to develop than single-family homes do, primarily because of a more expensive construction type to support a multi-story development and the need to provide structured parking.
- Limited access to equity and the conservative response of the financial community to lending for these projects also creates a barrier to developing mid-rise residential and mixed-use structures. In the current market, equity (or cash down payments) requirements are quite high. Many banks require as much as 30 to even 40 percent of project costs be paid up-front in the form of equity. A developer without sufficient access to capital to cover these financing costs may need to borrow equity on the open market. Equity lenders charge a premium for this upfront capital because it is a fairly risky investment for them. Some equity lenders are charging as much as 15 – 20 percent interest. In some situations, equity financing is simply not available, and projects cannot move forward. These issues are not unique to Anchorage and exist in many cities in the Lower 48.
- Public investment and other creative solutions will be necessary to make higher density compact housing such as mid-rise multifamily and mixed-use rental development feasible in Anchorage, at least in the near-term. Programs that provide gap financing at low interest rates, partnerships with private developers, and strategic acquisition of key properties can all help to encourage more compact housing. The policy section will discuss the specific types of tools available to begin to close the financing gap.

  Like many communities across the nation, the current market for new development in Anchorage constrains the ability of developers to provide a more compact development form of sufficient quality to meet development goals. Public investment of some form will be required to make more widespread development of compact housing feasible. While development costs may be higher in Anchorage than in other places, this situation is not unique to Anchorage. Many communities provide subsidies to encourage increased density that is consistent with municipal goals.

Implications for Housing Policy in Anchorage

The key conclusions of the housing demand analysis are:

- Given the historic density of development and rate of redevelopment, the Anchorage Bowl does not have sufficient vacant buildable residential land to accommodate the demand for housing units forecasted over the next 20 years. The mismatch between demand for and supply of residential land is serious and needs attention.
- Building mid-rise residential and mid-rise mixed-use rental developments is not financially feasible in the conditions of the current market.

Those conclusions lead to an obvious, broad policy question: *What can the Municipality do to accommodate the expected demand for housing?*

This question is not new to the Municipality—it was at least partially addressed in *Anchorage 2020 Comprehensive Plan*. The preferred growth alternative from that effort was the Urban Transition Scenario, whose policies included developing more intensive urban centers in Downtown and Midtown and encouraging infill and redevelopment where appropriate. Changes to Anchorage's zoning code (Title 21) are under discussion and would be an essential step to implementing key policy recommendations in *Anchorage 2020*. However, in the 10 years since that plan was adopted, the Municipality has yet to adopt policies to implement it. The demand analysis in Appendix C shows that housing preferences (at least as evidence by the type of housing built and absorbed) have changed little over that period.

In concept, correcting the mismatch can only occur by changing: (1) housing demand, (2) housing supply, or (3) both (which is what happens in markets as supply and demand look for balance). Local governments are typically more reluctant to get involved in the demand side of the market (e.g., aiming at changing demographics or preferences). They are more likely to try to accommodate the forecasted demand by increasing (1) land supply, or (2) the capacity of a given land supply to accommodate more dwelling units (i.e., to increase density).

Most local governments have the capacity to expand land supply: cities annex undeveloped land at their borders.[25] The Municipality's recent study of land supply concludes such expansions are not an option in the Anchorage Bowl: its area is bounded and defined by natural and built constraints on all sides.

While the intent of *Anchorage 2020* is clear and provides a guiding document for how the Bowl should accommodate growth, it is worth stepping back and exploring options for how the Anchorage/Mat-Su region could reallocate growth to support the projected housing demand. Hypotheses of what could happen if no policy action is taken by the Municipality are also presented.

[25] Whether infrastructure can be extended to that land at a cost that allows it to be feasibly developed is a different question: the point here is that the potential amount of land can be expanded.

Options to Allocate Growth within the Region

Single Family and Two Family Units

The Anchorage Bowl has enough land to accommodate large-lot single-family housing. But given the amount of vacant land and how it is currently zoned, the Anchorage Bowl will be unable to build about 2,400 single-family units and 2,200 units for two-family/duplex that the population forecasts suggest will be demanded There are three options for accommodating this growth: in the Bowl, in Chugiak-Eagle River, or in the Mat-Su Borough.

- **Accommodate the demand in the Anchorage Bowl** by increasing land efficiency, increasing density where appropriate, increasing the supply of buildable land, encouraging redevelopment, and streamlining regulation. Policy options for accommodating the demand in the Anchorage Bowl are discussed later in this report.

  Another way to accommodate new single-family and two-family/duplex housing is through re-designation of land from other uses, such as commercial uses or lower-density housing, for single-family housing. The Commercial Land Study also currently being conducted shows a shortage of land for commercial uses. While there is a surplus of capacity for large-lot single-family housing, the Hillside District Plan limits the extension of public sewer lines. Even so, it may be reasonable for Municipal staff to evaluate whether there is an "excess" of land designated for non-residential or low-density residential uses that would be suitable for these housing types. Rezoning land will require an update to Anchorage's Land Use Plan Map.

- **Allocate more single-family and two-family/duplex growth in Chugiak-Eagle River**. Chugiak-Eagle River has capacity to accommodate about 900 more single-family dwellings and 400 more two-family/duplex dwellings than the forecast of demand allocates to Chugiak-Eagle River for the 20-year period.

  Whether Chugiak-Eagle River could actually accommodate development of these additional dwellings would depend on a number of factors, such as: the planned infrastructure (e.g., urban wastewater and water service) becoming available as expected, transportation capacity for people living in Chugiak-Eagle River and working in the Anchorage Bowl, and housing market demand. Getting additional single-family growth would depend on coordination with landowners, predominantly Eklutna, to develop their land over the 20-year timeframe. This shift would be encouraged by the likely increase in housing prices in the Anchorage Bowl as demand outstrips supply.

Allow or encourage more of the regional growth to go to Matanuska-Susitna Borough (Mat-Su). ISER population forecast is for Anchorage and Mat-Su together, allocating growth to both regions. ISER's forecast assumes that the Knik Arm Bridge will be built during the 20-year period siphoning additional growth to the Mat-Su. However, if Anchorage does not have enough capacity for single-family and two-family/duplex growth currently allocated, even more households may choose to locate in Mat-Su rather than pay higher housing costs in Anchorage or choose a different housing type (if available) in Anchorage. Indeed, this was one of the ways that regional growth has been accommodated in Anchorage and Mat-Su over the last decade or longer, with more households locating in Mat-Su and commuting to Anchorage for work.

Assuming that some of Anchorage's single-family housing demand may be accommodated in Mat-Su has some problems. Mat-Su may not have sufficient land designated and planned for residential uses in close proximity to areas relatively close to the Knik Arm Bridge, requiring changes in land designation and the planning to support the changes. Most importantly, building at urban single-family densities requires urban services (e.g., roads, sanitary sewer, water, schools, fire). Assuming that Mat-Su does not have adequate urban services in this area, these services would have to be developed prior to new residential development.

Townhouse and Multifamily Units

Given historical development densities and rate of development, the amount of vacant land, and how it is currently zoned, the Anchorage Bowl will be unable to build about 700 townhouse units and about 3,600 multifamily units that population forecasts suggest will be demanded. Options for accommodating these units in the Bowl include increasing land efficiency, increasing density where appropriate, increasing the supply of buildable land, encouraging redevelopment, and streamlining regulation. These policy options are discussed later in this report.

Municipal staff will need to take care in developing policies to increase land use efficiency, given existing policies and historical development densities. Analysis by Municipal staff shows considerable under-build in R-3 and R-4 zoning districts, with most development averaging well below the maximum allowable densities. This under-build suggests that the problem in Anchorage is not that allowable multifamily densities are too low, but that other factors are keeping multifamily development from achieving higher densities. These factors may include housing preferences (with the housing survey showing that most people prefer to live in lower density development), parking requirements, or the financing gap identified in the pro forma analysis for mid-rise development. In general, if the Municipality allows greater density (and does not directly impose other regulations or fees that restrict it), then the under-build is fundamentally a market issue: developers' belief that households will not pay what is necessary to make the higher density worth building.

Unlike single-family and two-family/duplex housing, these housing types are less likely to shift to Chugiak-Eagle River or Mat-Su. They are dense, urban housing types that generally locate in urban or town centers, along transit lines, or near to employment and service centers where they are marketable.

No Change in Policy Option

Predicting the exact results of a "no change" scenario are impossible, especially since it is uncertain when the Title 21 re-writes will be fully adopted and precisely what policies would be included in the new Title 21. The last decade, however, gives an idea of how Anchorage would grow under the existing policies.

- **Housing costs may increase faster than they otherwise would have.** Over the last decade, housing prices have increased, rental costs have increased, and housing has become less affordable. Those changes cannot be solely attributed to Anchorage's tight land supply (which may not be excessively tight yet) and have certainly been influenced by State and national changes in housing costs. As Anchorage's land capacity decreases over the next 20 years and beyond, housing will continue to get more expensive as production slows and will affect the amount of growth in Anchorage.
- **More people may locate in the region but outside of the Anchorage Bowl.** As housing prices increase, more people will choose to live in Chugiak-Eagle River or Mat-Su. The changes in commuting patterns over the past decade show that some households are locating in these areas and commuting into Anchorage. While this may be a viable choice for people who prefer single-family housing and do not mind commuting, it is not a viable choice for people who prefer living closer to work and urban amenities or who may prefer multifamily housing.
- **Anchorage may grow slower.** If there is not enough multifamily housing, Anchorage may grow slower over the next 20 years and beyond. People who cannot find a quality home in an attractive neighborhood at a price they can afford may choose not to locate in Anchorage. If the population growth turns out to be substantially less than forecasted, one should expect the employment forecasts to be lower also.

Housing Policies in Anchorage

This section presents housing policies that Anchorage is either using currently or could use to accommodate the forecast of residential growth in the Municipality. There are many potential housing policies. Not all policies, however, are appropriate for Anchorage. This focuses on housing policies that are in use in Anchorage or are potentially appropriate for Anchorage.

Table 9 shows housing policies grouped at the top level by the issue addressed by the policy. Table 9 shows policies that attempt to (1) increase efficient land use, (2) increase residential densities, (3) increase the buildable land supply, and (4) ensure affordable housing. Table 9 also shows whether the policy is in use or under consideration by the Municipality, and the way the policy attempts to influence the market (allow, encourage, or require/prohibit action). In the "use" columns check marks have the expected meaning; numbers are references to the policy document named in the column heading.

Through discussions with the project Advisory Committee and Municipal staff, the list of potential housing policies presented in Table 9 was reduced to include policies that are appropriate for Anchorage, given the Municipalities unique characteristics. In addition, Table 9 focuses on policies that increase capacity to accommodate the forecast for growth and touch only briefly on other important housing policy issues, such as affordable housing. The Municipality should evaluate policy options to address these other issues, especially for affordable housing, through a separate process.

Table 9 summarizes a lot of information and allows a lot of inferences. Among them:

- There are a lot of policies a jurisdiction can adopt to address housing issues.
- The Municipality has adopted many of them, and is actively considering many more. There is at least one policy in each of the four major issue categories that would be "new" to Anchorage: most of those are under the issue headings of increasing buildable land and affordability.
- Of the 33 policies listed, seven would relax regulation ("allow"), 19 would offer some type of incentive ("encourage"), and seven would add new regulations ("require / prohibit"). All seven regulatory policies have been previously recommended in *Anchorage 2020.*
- Nine out of the ten policies recommended by the Housing and Neighborhood Taskforce convened in 2009 are listed.

Table 9. Housing policies and strategies that affect the amount and cost of housing, mitigate the impacts of density, and support other planning goals

Policies and strategies that…	Use in Anchorage				Policy Application			Notes
	Currently allowed		Proposed					
	Comprehensive Plan/ *Anchorage 2020*	Current Title 21	Title 21 Re-Writes	Recommended by Housing & Neighborhood Taskforce[26]	Allow	Encourage	Require or Prohibit	
Increase Efficient Land Use								
Update and adopt a revised Land Use Map, consistent with the vision in *Anchorage 2020*, including rezoning or re-designating land as necessary	✓ (#10, 11, 20)						✓	The Municipality did not update its land use map at the time that *Anchorage 2020* was adopted. After the revisions to Title 21 are adopted, the Municipality could update its Land Use Map
Coordinated transportation, housing, and infrastructure planning	✓ (#92)			✓			✓	H & N Taskforce recommended mandating integration and coordination among these planning processes
Reduce driveway standards for multifamily housing	✓				✓			
Reduce off-street surface parking requirements		✓	✓		✓			This requires reducing the requirement, as in the Title 21 re-write, but also encouraging the building of less parking, as appropriate.
Permit Accessory Dwelling Units (ADUs) in single-family zones.	✓ (#15)	✓ Partial	Partial		✓			Currently ADUs are not allowed in R-1 and R-1A. A proposed amendment to provisionally adopted T21 rewrite will allow ADU's in R-1 and R-1A.
Locate civic buildings in major employment centers	✓ (#79)						✓	

[26] The Housing and Neighborhood Taskforce was convened in 2009. The items indicated in this chart were formally recommended by that taskforce.

Policies and strategies that…	Use in Anchorage				Policy Application			Notes
	Currently allowed		Proposed					
	Comprehensive Plan/ *Anchorage 2020*	Current Title 21	Title 21 Re-Writes	Recommended by Housing & Neighborhood Taskforce[26]	Allow	Encourage	Require or Prohibit	
Encourage regional planning with Mat-Su Borough	✓ (#92)					✓		This policy would apply both within the Anchorage Municipality, primarily between the Anchorage Bowl and Chugiak/Eagle-River, and between Anchorage and Mat-Su. The purpose of the policy would be to direct where growth would occur, focusing denser growth in urban areas.
Increases Residential Densities								
Increase allowable residential densities	✓ (#9)	✓ w/ PUD	✓		✓			The current under build of existing by-right densities suggest that increasing the allowable densities will not result in an increase of constructed density per se.
Allow smaller single-family residential lots (e.g., lots less than 6,000 sq. ft.))	✓	✓ Townhouses, PUD, PC, cluster	Partial		✓			Current minimum lot size is 6,000 sq. ft. for fee simple detached single family (besides of PUD's, cluster, and PC communities). T21 rewrite allows smaller lots size for townhouses and zero lot lines.
Set maximum lot sizes and require minimum residential densities in certain zoning districts	✓ (#9)		Partial				✓	Provisionally adopted T21 includes maximum lot sizes for single family in R-2M and a proposed amendment will also include R3. Limits single family use in R-3 and R-4 and includes a minimum density in R-4A for mixed-use projects.

Policies and strategies that…	Use in Anchorage				Policy Application			Notes
	Currently allowed		Proposed					
	Comprehensive Plan/ *Anchorage 2020*	Current Title 21	Title 21 Re-Writes	Recommended by Housing & Neighborhood Taskforce[26]	Allow	Encourage	Require or Prohibit	
Set design standards to ensure compatibility with surrounding neighborhood	✓ (#12, 41, 46, 49, 52, 60)		✓				✓	The T21 rewrite includes design standards for two family, townhouse, and multi-family development.
Create a program to provide incentives for dense development that meets the Municipality's planning objectives.				✓		✓		AMC 12.35 allows for partial or full exemption from municipal fees and property tax for deteriorated properties. Other examples of tax credits include: Multi-Unit Property Tax Exemption (MUPTE) or Vertical Housing Development Zones, both of which offer a 10-year property tax exemption. These tax credit programs are generally enabled at the state-level and can be implemented by cities. The Federal Low Income Housing Tax Credit is an example of a tax credit program at the federal-level. H & N Taskforce recommended establishing incentives to promote density that achieves MOA planning objectives.
Use development agreements to create partnerships with developers, where the developers agree to build at higher densities in exchange for specified urban amenities or infrastructure by the Municipality						✓		For example, in selected areas where higher density is desired, require higher density development for neighborhood improvements, such as development of a new park or a major infrastructure improvement.

Policies and strategies that…	Use in Anchorage				Policy Application			Notes
	Currently allowed		Proposed					
	Comprehensive Plan/ *Anchorage 2020*	Current Title 21	Title 21 Re-Writes	Recommended by Housing & Neighborhood Taskforce[26]	Allow	Encourage	Require or Prohibit	
Increase the Supply of Buildable Land								
Allow residential uses in commercial zones where appropriate	✓ (#10, 11, 20))	✓ Partial	Partial		✓			T21 rewrite allows mixed use in non-residential districts and the new R-4A district. The rewrite also provides density bonuses and parking reductions for mixed use projects.
Phase urban growth by planning capital facility investments for urban development	✓ (#76)			✓			✓	This type of policy is most applicable in Chugiak/Eagle-River, where there are large unserviced areas that may develop over the next 20-years. H & N Taskforce recommended facilities investments to promote higher urban density
Continue to implement policy in *Anchorage 2020* to conserve existing dwelling units and residential land	✓ (#14)			✓			✓	H & N Taskforce recommended actively enforcing code requirements to preserve the quality of existing housing
Facilitate redevelopment								The policies and strategies in this section facilitate redevelopment through reducing redevelopment costs and increasing achievable rents

Policies and strategies that…	Use in Anchorage				Policy Application			Notes
	Currently allowed		Proposed					
	Comprehensive Plan/ *Anchorage 2020*	Current Title 21	Title 21 Re-Writes	Recommended by Housing & Neighborhood Taskforce[26]	Allow	Encourage	Require or Prohibit	
Expand role of Anchorage Community Development Authority (ACDA) to facilitate and implement a comprehensive redevelopment strategy, through land assembly, coordination, and use of other tools available (e.g., loans, deteriorated property program)	✓					✓		Anchorage Community Development Authority exists but mission is not focused on redevelopment.
Implement a program to identify redevelopment sites and abandoned buildings, working with ACDA	✓ (#17)					✓		The Municipality would work with ACDA to designate an area for redevelopment. The ACDA can help with coordination of the redevelopment, land assembly, and identifying financing options. ACDA's role may need to be expanded to include managing redevelopment projects, as well as identifying a source of funding for this work.
Reevaluate and expand use of existing deteriorated property designation, tax abatement, and fee waivers	✓				✓			Current Municipal Code has a mechanism to designate a deteriorated area. Reuse of deteriorated properties may be initiated by private developers or by public agencies.
Leverage tax foreclosure and publically owned properties that may be appropriate for housing projects	DT Plan					✓		Anchorage Community Development Authority could purchase houses that were foreclosed on and manage redevelopment of the foreclosed properties.

Policies and strategies that…	Use in Anchorage				Policy Application			Notes
	Currently allowed		Proposed					
	Comprehensive Plan/ *Anchorage 2020*	Current Title 21	Title 21 Re-Writes	Recommended by Housing & Neighborhood Taskforce[26]	Allow	Encourage	Require or Prohibit	
Implement a process to expedite plan and permit approval for infill and redevelopment projects						✓		
Assist with parcel assembly, especially in urban areas	✓ (#17) DT Plan					✓		
Assist with environmental remediation for redevelopment sites				✓		✓		H & N Taskforce recommended assisting with environmental cleanup
Investigate use of Urban Renewal Funding	✓ DT Plan					✓		Urban Renewal Funding, in the form of Tax Increment Financing, is a primary tool used by jurisdictions to fund public investments necessary to encourage redevelopment.
Implement a program to provide financial assistance and incentives to facilitate redevelopment.				✓		✓		The financial assistance and incentives could include: low-interest loans, expedited review of planning and review, waiving fees for redevelopment, transfer fee, or tax abatements. This program may be run by the Municipality or by ACDA. One method of financing the program is through urban renewal.
Build infrastructure to accommodate redevelopment such as street improvements or increasing sanitary sewer.						✓		

Policies and strategies that…	Use in Anchorage				Policy Application			Notes
	Currently allowed		Proposed					
	Comprehensive Plan/ *Anchorage 2020*	Current Title 21	Title 21 Re-Writes	Recommended by Housing & Neighborhood Taskforce[26]	Allow	Encourage	Require or Prohibit	
Leverage federal funding programs for redevelopment including CDBG, HOME, new market tax credits, low-income housing tax credits, HUD 221(d)(4) loan programs, and historic rehabilitation tax credits, more coordination with AFHC						✓		Community currently leverages these resources on a variety of projects throughout the Municipality. Municipal staff could coordinate more Alaska Housing and Finance Corporation to investigate the application of these programs in more depth.
Ensure Affordable Housing								
Continue to work with existing partners to expand affordable and workforce housing opportunities	✓					✓		
Develop strategic partnerships to create affordable housing	✓					✓		Partnerships include local affordable housing agencies and potentially national affordable nonprofit housing advocates. Partnerships could include private developers who are willing to provide lower-cost housing in exchange for something from the Municipality.

Policies and strategies that…	Use in Anchorage				Policy Application			Notes
	Currently allowed		Proposed					
	Comprehensive Plan/ *Anchorage 2020*	Current Title 21	Title 21 Re-Writes	Recommended by Housing & Neighborhood Taskforce[26]	Allow	Encourage	Require or Prohibit	
Create a housing trust fund to support development of affordable housing and redevelopment for workforce housing.						✓		The source of revenue for this fund could be a transfer fee imposed on the sale of residential units. Work with the State to identify a potential funding source for this program.
Land bank for affordable housing						✓		Explore use of Heritage Land Bank, school sites, and other lands for affordable housing.
Financial incentives to rehabilitate or develop affordable housing	✓			✓		✓		H & N Taskforce recommended tax relief to encourage strategic development activities
Improve Regulatory Process								
Further streamline development regulation process			Partial	✓		✓		H & N Taskforce recommended several changes to permitting process. (3 recommendations) T21 rewrite includes clarified review procedures, standardized exceptions, and by-right non-discretionary standards that offer menu of choices.

Housing Policy Options for Further Consideration

Policies to Help Accommodate Growth

The purpose of this technical report is to inform the Municipality's planning processes, such as the revisions to Title 21 or other work on housing issues. The result of this work is the identification and description of key housing issues related to residential land capacity and a discussion of policy options for the Municipality to address these issues.

This section presents the consulting team's suggestions for housing policies that merit further consideration. The suggestions about policy options focus on the central issue of this project: **Given that Anchorage does not have sufficient vacant and partially vacant land to accommodate the projected growth at current development densities and redevelopment rates, what can the Municipality do to increase the region's capacity to accommodate population growth?** Policies and strategies to address this issue through increasing land use efficiency, increasing density where appropriate, increasing the supply of buildable land especially through redevelopment, ensuring affordable housing, and improving the regulatory process are recommended. A fundamental assumption in the consulting team's suggestions is that the Municipality is committed to implementing *Anchorage 2020* (that it still represents the vision for how Anchorage should grow) and that the Assembly will adopt the revisions of Title 21.

Increase Efficient Land Use

- **Update the Land-Use Map to increase land use efficiency to implement *Anchorage 2020* and the Title 21 Rewrite.** The Land Use Policy map was approved in concept by the Planning and Zoning Commission in June 2006. The Municipality should update the Municipality's Land Use map to implement *Anchorage 2020,* neighborhood and district plans, and to reflect any changes from the Title 21 Rewrite. This update is an opportunity to resolve conflicts between planned uses and current zoning.

  This update is a key opportunity to coordinate planning of future land uses with plans for transportation or infrastructure investments or to address outstanding environmental concerns.

  The Municipality should use the inventory of vacant and partially vacant buildable land as a guide for updating the Land Use map. The Municipality could identify opportunities to increase land use efficiency by allowing higher density development where appropriate.

- **Reduce parking requirements for multifamily housing, to reduce development costs.** The Title 21 Rewrite reduces parking requirements, especially for multifamily housing. One of the key costs in building multifamily housing is providing parking, whether it is surface, structured, or underground parking. In the pro-forma analysis, parking added roughly 16 percent to the cost of construction.[27]

[27] Given a set of development and construction cost assumptions that are described more fully in the section on Financial Feasibility for Compact Housing (See Appendix D). Note that this percentage increase derives from a specific set of assumptions about a specific development prototype, and may not be broadly applicable to all developments in Anchorage that include some form of structured parking. However, it does provide some sense of the magnitude of influence that parking can have on construction costs.

Reducing the requirements for parking is a key way to allow developers to build less expensive multifamily housing. Leaving the decision about how much parking to provide up to the developer will give him more flexibility to design the project and set the rental rates.

Increase Residential Densities

- **Allow small-lot single-family housing on lots less than 6,000 square feet and narrower than 50 feet, where appropriate and with design standards**. The Municipality should allow the type of development that it wants to happen. For example, the Municipality does not allow small fee-simple detached residential lots outside of PUDs, cluster housing, or planned community developments. The Municipality could get more small-lot residential development by lowering the minimum lot size and adjusting the restrictions about width of lots to allow smaller lots. The Municipality could further evaluate what zoning districts are appropriate or consider an overlay zoning district for appropriate parts of town. Special attention to design standards should be included to ensure neighborhood compatibility.
- **Provide opportunity areas for building denser housing, such as centers identified in *Anchorage 2020*.** The Municipality could identify specific opportunity areas for building housing at increased density, ranging from denser two to four unit housing or higher density multifamily housing. The opportunity areas may be a city block or they may be larger areas, such as a neighborhood. The opportunity areas may also provide opportunity for redevelopment, as discussed later in this section. Using *Anchorage 2020* as a guide, MOA may consider focusing on one Town/Neighborhood Center, where market conditions are appropriate.
- **Develop funding solutions to provide infrastructure to support increased residential densities and more efficient use of land.** One of the barriers to developing housing in Anchorage, especially infill development, is the non-contiguous and incomplete system of infrastructure and utilities. Development and redevelopment of housing often requires building new or increasing the capacity of existing infrastructure, such as roads, municipal water, sanitary sewer, or storm-water drainage.

  The cost of building the infrastructure depends on the availability and capacity of surrounding existing infrastructure, as well as the Municipality's various infrastructure standards. Anchorage has several subdivisions that were platted forty or more years ago (referred to as "paper plats") with minimal infrastructure improvements. The Municipality's Community Development reports that these areas have substandard road, water, sanitary sewer, and storm drain improvements.

  The Municipality currently funds infrastructure development through a variety of sources: municipal bonds, state grants, special assessment districts, assessment fees, and other funding sources. The existing funding system is complex and highly political. Some sources require support of the Anchorage Assembly or approval of a majority of voters living within the special assessment district.

  Developing a complete, well-designed infrastructure system in support of efficient residential development will require the Municipality to consider different funding sources. The biggest requirements for funding additional development of infrastructure are: (1) a stable revenue stream and (2) a good bond rating.

The Municipality's challenge will be identifying and supporting development of one or more stable revenue streams to support infrastructure development. Some options that the Municipality could consider are:

- **Systems Development Charges.** Systems development charges (SDCs), are fees levied on new development as a way to pay for the municipal cost of the infrastructure necessary to support the new development. SDCs can be used to pay for a range of infrastructure, such as streets, sidewalks, municipal water systems, sanitary sewer systems, or parks. SDCs are collected at the time of development and used to fund future infrastructure development, some of which may occur years after collection of the SDC, such as building a new wastewater treatment plant.

  Developers are often concerned about SDCs increasing development costs and decreasing housing affordability. Some municipalities require all new development to pay SDCs, regardless of the type of development. Other municipalities use SDC waivers as a form of public investment and incentive for developers to build projects that support development goals, such as infill development or dense multifamily housing.

- **Tax increment financing.** Tax increment financing (TIF) can be used to finance the cost of public infrastructure and stimulate private development within designated urban renewal areas. TIF can provide funding for capital improvements such as streets, parks, parking garages, or other infrastructure upgrades for specific projects or specifically designated areas. TIF is generally used to catalyze redevelopment that stimulates private investments and increases property values (and property taxes). Using TIF may require legislative changes, possibly at the state and municipal level, that enable TIF.

- **Infrastructure bank.** An infrastructure bank is a municipal investment, where the earnings from the investment are used to make low-interest loans to fund development of infrastructure for specific projects. An infrastructure bank requires a large capital investment to establish the bank, which makes infrastructure banks relatively uncommon.

- **Implement design standards to ensure development of desirable communities and protection of land values.** One of the reasons that people do not like multifamily housing is that it is often poorly designed. As a result, existing residents, especially in established neighborhoods, are often resistant to the idea of building new multifamily housing in their neighborhood.

  The Anchorage case studies found that successful compact development focuses on natural amenities, open space and views, and creates a site plan with attention to architectural details. As Anchorage continues to develop multifamily housing, having design standards that reflect community values will be important both for creating desirable neighborhoods, where people want to live, and for alleviating neighborhood concerns about new multifamily development. This approach can also help alleviate neighbor opposition and concerns, making it easier to build multifamily projects.

  The revisions to Title 21 include design standards to ensure that new development is compatible with the existing neighborhood. The consultant team did not evaluate the proposed design standards in their entirety. The Municipality should evaluate the effectiveness of these standards after they have been in place for several years.

Increase the Supply of Buildable Land

- **Phase infrastructure expansion into large land holdings in Eagle River/Chugiak.** The area in the Municipality with the greatest opportunity for greenfield development is in Chugiak-Eagle River, especially on lands owned by Eklutna, Inc. (e.g., Eklutna 770 and Powder Reserve). The Municipality could coordinate development of these areas with the landowners, to ensure appropriate infrastructure to allow these areas to be built at urban densities in a timely manner.
- **Conserve residential land supply by limiting rezones to other uses.** *Anchorage 2020* includes a policy of conserving existing dwelling units and residential lands. The Municipality could evaluate ordinances used by other jurisdictions and determine whether a similar ordinance would be appropriate to elevate and enforce the existing policy.
- **Identify publicly owned lands that are suitable and make those lands available for residential development.** Working with the Heritage Land Bank, Anchorage School District and other public landowners, the Municipality may be able to identify parcels that could support residential development. The Municipality may consider selling the land below market rate if the resulting development provides a public good, such as affordable or workforce housing.

Facilitate Redevelopment

- **Create a redevelopment strategy to encourage infill and more compact residential development.** The Municipality could work with key stakeholders to create a redevelopment strategy to encourage infill and more compact housing in the Anchorage Bowl. The strategy would identify stakeholders who would participate in redevelopment, redevelopment tools, funding sources, and specific sites that could present redevelopment opportunities. Redevelopment that increases the supply of compact housing, especially if it is closer to the core of the City and is well-planned and attractive, can help to achieve many policy objectives. A detailed review of literature regarding the fiscal impacts of various development types[28] found that, in general, denser development costs less for local governments to build and maintain. On many sites in Anchorage, denser development may take advantage of existing capacity in infrastructure (roads, sewer, and water lines), reducing the miles of pipe and pavement that the Municipality must build and maintain.

  Infill development can bring more homes closer to jobs, reducing the impacts on transportation systems and supporting ridership for transit. Increased density of housing, depending on its location, may mean that more households are within proximity of retail districts, supporting local businesses and creating more vibrant destinations.

  Despite all of these benefits, Anchorage's historical development patterns strongly suggest that more compact redevelopment is not likely to occur without some coordinated support that:

  (1) Identifies the most appropriate locations for compact housing that will be the most desirable for residents and therefore generate the highest rents;

  (2) Ensures that appropriate infrastructure serves the site and that public amenity (parks or open spaces, transit access, etc.) is available nearby;

[28] Contained in the Oxford Handbook of Economics and Planning, 2011; Juntunen, Moore, and Knapp

(3) Supports specific redevelopment projects that can catalyze redevelopment on nearby sites and create districts with a sense of place and appeal.

In communities where redevelopment strategies have been successful, public sector investments in infrastructure, storefront improvement grants, and public-private partnerships on catalytic sites have helped to prove the market for more compact forms of development and generate unsubsidized, private-sector investment in compact development over time. A good strategy would have the following elements:

- **Identify key stakeholders for redevelopment.** The Municipality could identify key stakeholders and identify stakeholders' roles and responsibilities. The Municipality could coordinate an inter-departmental, inter-jurisdictional team to focus on redevelopment including: AWWU (water/wastewater), Planning, Development Services, Public Works, Fire, Alaska State Department of Transportation, and other public agencies. In addition, the Anchorage Community Development Authority (ACDA), as a quasi-public institution, has the ability to facilitate and implement redevelopment projects but ACDA's mission is not oriented towards redevelopment. If ACDA is willing and able to play a key role in redevelopment, the Municipality could work with ACDA as a key stakeholder in developing and implementing the redevelopment strategy, starting by identifying other stakeholders.
- **Identify redevelopment tools.** The Municipality could work with ACDA to identify the tools that the Municipality is willing and able to use to facilitate redevelopment. Redevelopment tools, which are listed in Table 8, include (but are not limited to): ability to change zoning, set specific design requirements, develop infrastructure needed to support redevelopment, provide financial incentives (e.g., low-interest loans) for redevelopment, parcel assembly, assistance with environmental remediation, or identify deteriorated properties or publicly owned properties as part of the redevelopment site.

  A key tool used successfully in other cities is a development agreement between the city, redevelopment agency, and developers. The development agreement describes the investments that the Municipality and redevelopment agency agree to make (i.e., build specific infrastructure, such as parks or trails or upgrades/extensions to existing major infrastructure) and, in turn, what the developer agrees to construct (i.e., build higher density housing in the redevelopment area).

  These documents are typically legally binding agreements that describe a process by which each partner will contribute to the success of the project, share the project's risk, and ensure that a public benefit is achieved.

  Another important tool is establishing an expedited plan and permit approval process for infill and redevelopment projects. The Municipality can develop a process that saves developers time and increases certainty in the entitlement process. The Municipality may consider designating specific staff in Development Services and Planning to become redevelopment specialists. These individuals would be responsible for the following tasks for infill and redevelopment projects: identifying systemic issues, developing solutions, and (if an expedited review process is established) coordinating expedited review.

- **Identify funding sources for redevelopment.** The Municipality could work with ACDA and the Alaska Housing Finance Corporation (AHFC) to identify funding sources for redevelopment. Some funding sources include (but are not limited to): Urban Renewal and tax increment financing, New Market Tax Credits for redevelopment of distressed areas (which includes some areas in Northwest and Northeast Anchorage), CDBG and HOME funds, HUD loan programs, and other programs.
- **Identify redevelopment opportunity areas or sites.** The Municipality could identify opportunity areas for redevelopment. The previous section suggested identifying specific areas of opportunity for increased density and public investment to encourage denser development. The same areas that present opportunities for increased housing density may also be opportunities for redevelopment. The opportunity areas should be areas where redevelopment is likely to succeed, such as areas in an appealing location (e.g., close to a job center). Describing a vision for the future of these opportunity areas, where redevelopment is desirable and will be supported, can reduce developer uncertainty regarding his investments and cause developers or property owners to think differently about what might happen on a site. The redevelopment opportunity areas should have some sites that are (or are close to) "development ready": sites that are well located and served by sufficient infrastructure capacity to serve increased density, are either vacant or have buildings that are suitable for adaptive re-use, with owners who are actively interested in participating in redevelopment.

  A logical place to start evaluating potential public incentives in Anchorage would be identifying a redevelopment opportunity area in a neighborhood with an existing base of higher density housing and retail amenities, which could grow to include new developments that increase the neighborhood's vibrancy and attractiveness. Public sector planning and support to improve specific streetscapes and make them more pedestrian-friendly, coupled with targeted subsidies for adjacent development, could help to create a district where housing and retail amenities can be created simultaneously. Over time, a few successful residential or mixed-use projects might help to "prove the market" for compact residential development in Anchorage. If a few high-quality, well-located mixed-use or mid-rise residential developments can be built and successfully sold or rented, it might begin to show that these types of development are possible in Anchorage, and bring additional private-sector resources to the table.
- **Implement the redevelopment strategy.** Once a redevelopment strategy has been developed, tools and funding sources identified, and one or more area for targeted redevelopment has been identified, the Municipality could work with its partners in the ACDA to facilitate the redevelopment.
- **Target and clarify the existing tax-abatement and fee-waiver ordinance to increase effectiveness as a redevelopment tool**. The existing ordinance[29] is intended to encourage property owners to address deterioration on their properties and is available city-wide for a property that meets the broad application criteria, and is approved by the Assembly. To date, these incentives have been used on only a few projects. In order for the tool to effectively rehabilitate deteriorated areas, it is suggested that the Municipality target the incentive and clarify the application process.

  A more targeted tax-abatement program, available in redevelopment opportunity areas and for compact housing developments that meet certain criteria, could provide additional financial incentive

[29] AMC 12.35

for developers and property owners to invest in those areas. The Municipality might elect to abate only those properties that achieve a certain density, or that are affordable to support workforce housing, or that provide ground-floor retail opportunities, or other criteria.[30]

While a tax-abatement program can be an effective redevelopment tool, the threshold and approval process should be clear and relatively simple. The current ordinance requires Assembly approval for the tax-abatement or fee waiver. Prior to site acquisition, developers need to know that they can obtain a tax abatement within a reasonably short time period. With the existing requirements, the Municipality may continue to see only a few applications by developers with sufficient political capital to apply.

Ensure Affordable Housing

- **Expand affordable and workforce housing opportunities.** The Municipality and its partners including AHFC, and affordable housing developers, could identify appropriate tools for creating affordable housing, such as a housing trust fund, a land trust, a land bank, or financial incentives to rehabilitate or develop affordable housing. When implementing strategies to encourage market-rate development, the Municipality could prioritize affordable and workforce housing in development incentives when appropriate.

Improve Regulatory Process

- **Further streamline development regulations**. Where possible in the land use code, regulations should be clear and non-discretionary, exceptions should be standardized, development alternatives provided as choices in by-right non-discretionary standards, and review processes shortened. Three to five years after the revision of Title 21 has been adopted, the Municipality may want to evaluate whether the revisions clarified the development code sufficiently. The Municipality could also continue to work with key stakeholders to improve other sections of the code and internal policies that impact development, including the Design Criteria Manual, and the permit process.

[30] If the Municipality also decides to pursue tax increment financing, it should think carefully about encouraging abatements, as they will reduce the resources available to a TIF district.

Next Steps

The purpose of this report was technical: identifying and describing the key housing issues related to projected growth and residential land capacity and discussing policy options for the Municipality to address these issues. In the previous section, the consulting team suggested more than ten housing and housing-related policies that that merit further consideration by the Municipality, in light of municipal planning goals.

This report, however, does not (and was not meant to) include an implementation strategy for addressing residential issues. The study team suggested next steps for the Municipality are:

- **Complete the Title 21 revision process.** While the study team did not evaluate the details of the Title 21 rewrite, a few of the policies suggested for further consideration are at least partially addressed in the Title 21 rewrite. Three to five years after the revision of Title 21 has been adopted, the Municipality may want to evaluate whether the revisions have accomplished the desired outcomes.
- **Develop a strategic plan and implementation strategy.** Developing a strategic plan and implementation strategy will require the Municipality to work with multiple stakeholder groups to identify the highest priority housing policy options and develop a strategic plan to implement those housing policies.
    - **Coordinate with other stakeholder groups.** This report identifies issues related to accommodating expected residential growth, given the Municipality's land base. Other housing-related efforts are on-going in Anchorage, such as the Mayor's Homeless Leadership Team. Part of developing the strategic plan is identifying the stakeholders groups who should be involved in the strategic planning process.
    - **Prioritize housing outcomes.** Municipal planning staff and decision makers will need to prioritize housing issues identified in this report based on the outcomes that the Municipality is most concerned about achieving sooner. Municipal staff can identify the priorities through working with stakeholder groups, work sessions with the Anchorage Assembly and Planning and Zoning Commission, and through community feedback about residents' priorities.

      For example, if the Municipality's highest priority outcome is increasing capacity for developing multifamily housing, the Municipality could prioritize developing a redevelopment strategy over implementing other policies that affect multifamily housing capacity less (e.g., allowing smaller single-family housing). Developing a redevelopment strategy will require multiple steps and many stakeholder groups.
    - **Develop and implement an implementation strategy.** Based on the priorities identified for housing policies, develop an implementation strategy that specifies goals, strategies, and actions to implement the highest priority housing policies. The implementation strategy should identify resources necessary to implement the policy, the stakeholder(s) responsible for implementing the policy, and the schedule for implementing the policy. We suggest that the Municipality focus on a limited number of housing policy options, which will allow the Municipality to concentrate resources on addressing the highest priority items.